

JPRS 81834

23 September 1982

# China Report

ECONOMIC AFFAIRS

No. 266

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23 September 1982

## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### ECONOMIC READJUSTMENT RESULTS REVIEWED

HK071319 Beijing BEIJING REVIEW in English No 35, 30 Aug 82 pp 13-17

[Article by "Zhang Zhongji, the State Statistical Bureau": "Economic Readjustment: Results Since 1979"]

[Text] China began to readjust the seriously disproportionate development of its national economy in 1979. Since then it has achieved measurable improvements in agriculture, industry, national income and education and science. Nevertheless, the potential danger to the national economy still remains. [paragraph published in boldface]

Major achievements have been made in China's economic readjustment work since it adopted the policy of "readjustment, restructuring, consolidation and improvement" in 1979 to steer the national economy clear of a course of gravely lopsided development. The national economy has made the first solid step on a new road of steady development.

#### Agricultural Structure

China's farm production was long dominated by cultivation, with the stress upon grain production. This single structure of agriculture obstructed the maximum utilization of the labour force and natural resources. However, the structure changed in the 1979-81 period when various forms of the responsibility system were introduced in farm production, the geographical distribution of farm crops was readjusted to suit local conditions, and peasants were encouraged to diversify their economic undertakings. The acreage sown to grain crops was reduced, but the annual grain output surpassed the pre-1978 level in the last three years.

There were also sustained increases in the output of cash crops. In 1981, cotton output was 2,968,000 tons; oil-bearing crops, 10,205,000 tons; sugar crops, 36,028,000 tons; and tea, 343,000 tons. Each was a record high and their increases ranged from 37 to 96 percent compared with the 1978 figures. The output value of forestry, animal husbandry, fishery and sideline occupations totalled approximately 61,700 million yuan, calculated according to the 1970 constant prices. This represented an increase of 31.1 percent over that of 1978 and an annual progressive growth of 9.5 percent.

Fengyang County in Anhui Province, for example, was once a desolate place "plagued by natural adversities nine out of ten years." In 1981, it harvested 300,000 tons of grain and 15,500 tons of oil-bearing crops, twice and 6.5 times the 1978 figures; commune members' per capita income averaged 240 yuan, quadruple the 1978 figure. Fengyang was not alone in experiencing such dramatic changes. Many counties showed similar improvements.

#### Industrial Structure

The single-minded pursuit of rapid industrial production, centering around the iron and steel industry, resulted in a lopsided ratio between light and heavy industries. In the last three years, light industry has received priority in the following fields--the supply of energy and raw materials, measures to upgrade potential productivity and adopt technical innovations and transformation, capital construction projects, bank loans, foreign exchange and import of new techniques, and transport and communications. This helped light industry grow at a fast pace. The light industrial output value scored an average progressive increase of 14 percent annually, and its portion in the total industrial output value grew from 42.7 percent in 1978 to 51.4 percent in 1981, calculated according to the 1970 constant prices.

Major consumer goods experienced a considerable increase. In the 1978-81 period, the output of TV sets increased 10.4-fold; radios and cameras, 3.5-fold; bicycles, sewing machines, wristwatches and wines, more than doubled. Cotton yarn, cloth, woolen fabrics, sugar, leather shoes and cigarettes each grew between 27 and 42 percent. In 1981, some 5,000 new light industrial products were trial-produced and more than 70,000 new varieties and patterns were added, half of which already went into batch production. This greatly improved the supply of commodities on the market.

#### Heavy Industry: Whom To Serve

Heavy industry, once self-serving, has been revamped in the last three years so as to provide more products for agriculture, light industry, the market, export and the technical transformation of other industries. The metallurgical industry, for example, increased production of badly needed strip steel and steel sheets by 17.3 and 25.7 per cent respectively between 1980 and 1981. The supply of products that had chronically been in short supply can now roughly keep pace with the demand. These include small rolled steel, welding tubes, materials for steel window frames and materials for steel wire and nails.

The civil machine-building industry developed 1,300 new products in 1981, more than it did in any year in its history, and expanded service for agriculture, sideline occupations, the foodstuffs industry, the production of consumer goods for daily use, the textile industry, commerce, environmental protection and packaging.

The total volume of export of machinery and electrical appliances totalled 1,640 million U.S. dollars, 2.4 times the 1980 figure, and large precision machinery and complete sets of equipment have entered the international market.

the production of small farm machinery and tools and semi-mechanized farm tools has been increased to meet the rising demand. In 1981, these products accounted for around 40 per cent of the total output value of farm machinery industry.

In an effort to turn out products that can be sold easily, the chemical industry has limited the production of tyres for automobiles while expanding the production of tyres for bicycles and hand-pulled carts.

In heavy industry, the product mix has been readjusted. More than 200 small iron plants suffering heavy economic losses due to high energy consumption and poor product quality have been closed down or have switched to make other products. Consolidation and improvement of the remaining ones have enabled them to attain higher economic and technical standards and reduce the per-ton production cost for pig iron from 304 yuan in 1978 to 240 yuan in 1981. Losses were reduced from 630 million to 100 million yuan.

A total of 109 small nitrogenous fertilizer factories were closed or switched to other products in 1981. As a result, losses were reduced from 600 million yuan in 1978 to 40 million yuan. Small nitrogenous fertilizer factories in 11 provinces and municipalities have begun to set a profit. Insecticides, dyestuffs and paint have experienced similar achievements during the economic readjustment.

#### Distribution of National Income

The portion of the accumulation fund in the national income was reduced from 36.5 per cent in 1978 to less than 30 percent in 1981, while the consumption fund was increased to improve living standards. The state has increased the purchasing prices for farm and sideline products and has reduced some rural taxes, thus adding 52,000 million yuan to peasant incomes. In the cities and towns, 20 million people have been given jobs in the last three years, some workers and staff members have received wage increases and bonus systems have been introduced. As a result, urban incomes rose by 40,500 million yuan.

Per-capita annual net income in the communes was 223 yuan in 1981, according to a government survey, up 89 yuan from the 134 yuan in 1978 and growing at an annual progressive rate of 18.5 per cent. Surveys showed that urban families of workers and staff members had an average of 463 yuan per capita for living expenses in 1981, which was 46.8 per cent more than the 315 yuan in 1978—a real increase of 30.8 per cent after adjustment for price increases. In both the urban and rural areas, the percentage of poor families dropped drastically, and citizens' bank savings increased rapidly, totalling 12,300 million yuan towards the end of 1981, 2.5 times the 1978 figure.

Increased private incomes have enabled the residents in the urban and rural areas to purchase more and better food, clothing and other consumer goods. Surveys showed that each rural resident received an average increase of over 100 jin (one jin equals half a kilogramme) of fine grain in their grain ration between 1978 and 1981. They also more than doubled their consumption of

high-grade commodities such as woolen fabrics, silks and satins, woolen yarn, and woolen knitwear in the same period. Living standards have risen in the last few years at a speed and with a scope rarely seen since the founding of the People's Republic.

#### Investment in Capital Construction

The scale of capital construction was considerably reduced. The number of state-supported big and medium-sized construction projects was cut from 1,624 at the end of 1978 to 663 in 1981. Of the total investment in capital construction, the portion for heavy industry shrank from 50.9 per cent in 1978 to 40.3 per cent in 1981, while that for light industry increased from 6.1 to 10 per cent. The investment in productive construction (factories, workshops, etc.) decreased from 82.6 per cent to 58.7 per cent while that in non-productive construction projects (housing, theatres, etc.) needed in the people's material and cultural life increased from 17.4 to 41.3 per cent.

The state invested 29,000 million yuan in housing construction in the last three years and built 233 million square metres of floor space, an average of 74 million square metres each year. Some 18 million people moved into new buildings, and their old housing helped several million others improve their living conditions.

The state support for housing construction in the countryside both through supplying materials and through designing and planning has enabled peasants to rapidly upgrade their homes. In the last few years, commune members built housing with a total floor space of 1,400 million square metres, and their living area averages 10.16 square metres per capita.

To upgrade the people's living conditions, a total of 4,000 million yuan were invested in urban public utilities and urban development in the last three years. In 184 cities, during the period 1978-81, the number of people who had access to tap water increased 22 per cent; the number of buses 32 per cent; the length of city roads 8.2 per cent; the gas supply 65.8 per cent; the length of sewers 16.8 per cent, and the acreage of gardens and afforested areas 38.9 per cent.

While strengthening the state-owned commercial networks, the state has also restored and developed collective commerce. Individual commerce has also grown somewhat. By the end of 1981, the commercial and service trades [including catering] establishments numbered 3.3 million, employing 16.24 million workers and sales clerks, 73.2 per cent more than in 1978.

#### Education and Science

China has more and better qualified college students since the college entrance examination system was reinstated in 1977. By the end of 1981, a total of 1.28 million were enrolled in colleges, 48.8 per cent more than in 1978. Meanwhile, an increasing number of students are studying in television and radio colleges, attending secondary vocational and technical schools or spare-time classes.

By the end of 1981, a total of 5.7 million natural scientists and technical personnel were employed by state-owned facilities, 30 per cent more than in 1978. In the last three years, the nation registered 8,490 major achievements in science and technology, and recognized 269 new inventions. Some of the new agricultural achievements, such as hybrid rice, hybrid corn, Lurian (Shandong cotton) No 1, have reached or approached the advanced world levels. The last couple of years have also seen China successfully launch a carrier rocket into the Pacific and use a single carrier rocket to shoot three satellites into space.

Although the achievements affirm the economic readjustment and the series of policies adopted since 1977, the host of problems left in the past could not all be solved within the short span of three years. To cite two major problems that remain: first, financial deficits stood at 17,000 million and 12,700 million yuan respectively in 1979 and 1980. A basic balance was struck between revenues and expenditures in 1981, but this was achieved under the conditions of curtailed expenditures. Economic results remained low. The retail price index was 10.7 per cent higher in 1981 than in 1978, and non-staple food prices increased 32.1 per cent.

Second, energy production decreased in the last couple of years. In 1981, it remained at the 1978 level and it is estimated that no substantial increase is forthcoming in the next few years.

Both problems will considerably hold back the development of industrial production. The potential danger confronting the national economy has not yet been fundamentally eliminated.

#### Output of Major Industrial and Agricultural Products Since 1978

	Unit	1978	1979	1980	1981	Increase of 1981 over 1978 (per cent)
Output of Industrial Products						
Cotton yard	million tons	2.38	2.64	2.93	3.17	33.2
Cotton cloth	million metres	11,030	12,150	13,470	14,270	29.4
Machine-made paper and cardboard	million tons	4.39	4.93	5.35	5.40	23.0
Sugar	million tons	2.267	2.5	2.571	3.166	39.7
Electric fans	million	8.54	10.095	13.02	17.54	105.4
Sewing machines	million	4.865	5.868	7.68	10.39	113.6
Wristwatches	million	13.511	17.07	22.16	28.72	112.6
TV sets	million	0.517	1.329	2.492	5.394	943.3
Coal	million tons	618	635	620	620	0.3

(continued)

	Unit	1978	1979	1980	1981	Increase of 1981 over 1978 (per cent)
Crude oil	million tons	104.05	106.15	105.95	101.22	-2.7
Electricity	million kWh	256,600	282,000	300,600	309,300	20.5
Steel	million tons	31.78	34.48	37.12	35.6	12.0
Timber	million cubic metres	51.62	54.39	53.59	49.42	-4.3
Cement	million tons	65.24	73.9	79.86	84	28.8
Chemical fertilizers	million tons	8.69	10.65	12.32	12.39	42.6

#### Output of Major Agricultural Products

Grain	million tons	304.75	332.12	320.52	325.02	6.7
Cotton	million tons	2.167	2.207	2.707	2.968	37
Oil-bearing crops	million tons	5.218	6.435	7.691	10.205	95.6
Sugar cane	million tons	21.117	21.508	22.807	29.668	40.5
Beet roots	million tons	2.702	3.106	6.305	6.36	135.4
White and bluish dog-bane	million tons	1.088	1.089	1.098	1.26	15.8
Tea	million tons	0.268	0.277	0.304	0.343	28.0
Pork, beef and mutton	million tons	8.563	10.624	12.055	12.609	47.2
Pigs sold to market	million head	170.49	187.68	198.61	194.95	14.3
Large livestock	million	93.89	94.59	95.25	97.64	4.0
Aquatic products	million tons	4.656	4.305	4.497	4.605	-1.1

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'JINGJI YANJIU' DISCUSSES ECONOMIC REFORM

REF-1001 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 82 pp 14-19

[Article by Su Xing [5685 2502]: "China's Planned Economy and Market"]

[Text] 1. China's National Economy Is a Planned Economy

In 1953, on the basis of a large-scale social revolution and speedy restoration of the national economy, China began to develop its planned economy on a national scale, with the result that today the country may look back on a 30-year history of such an economy.

The national economy of China is a planned economy and as such means: first, the entire national economy develops proportionately under the guidance of a unified plan. Such a plan is not by any means unique to a socialist economy, for the economy of any kind of society generally [words indistinct] that one can see that other economies do not see their plans as bound together and restricted. The foundation of a socialist economy is shared public access to the means of production and the central part of the entire national economy is the possession and running of the state-owned economy by all the people. Thus it is an objective necessity that the national economy develop according to unified plans. Second, the extent of the binding power of the national plan varies in terms of production, distribution and circulation within industry, departments and regions. Such a binding force may appear in a number of different forms, such as mandatory or guiding directives while, in addition, there is also the possibility of free production under planned guidance.

There are many evaluations to be made on a planned economy, but when one considers the totally nonplanned economies which sprouted in the 1920's, there is little left to be said. When one examines the path of socialist China, a system of a planned economy is obviously by far the most superior economic system. This is mainly illustrated by, (1) the fact that a planned economy can collectively and rationally apportion funds, goods and materials and labor force, ensure the relatively fast development of the various departments of the national economy and thereby achieve results in a short period of time. (2) It can create a balance between funds, and goods and



materials, and preserve the basic stability of the market and prices, thereby avoiding the dangers of periodic overproduction and the nightmare of inflation. (3) It can rationally adjust and distribute funds between economically and culturally developed and backward regions, thereby gradually ironing out discrepancies. (4) It can alter the allocation of consumption funds on a national scale, thereby daily improving the people's living standards on the basis of the development of production.

In the last 30 years, although China's economy has seen its ups and downs, it cannot be denied that agricultural and industrial production development have been fast. If one compares the total industrial and agricultural output value the years 1949 and 1980 one can see an increase of around 16 times, which works out as an average annual growth rate of 9.4 percent. The total output value of industry alone shows an increase of 46.2 times, with an annual average increase of 13.2 percent. The total output value of agriculture has increased 2.8 times, with an annual average increase of 4.4 percent. ("The 1981 China Economic Yearbook," JINGJI GUANLI magazine press, IV-3). Had it not been for the two major upsets in China's economy since 1949, the situation would undoubtedly be even better today. All these figures point to the fact that a system of a planned economy has opened up a promising future for the development of China's productive forces.

The characteristics and merits of a planned economy are that the society can make conscious alternations to ensure that the process of reproduction and each section of the national economy develops proportionally. This, therefore, is the mainstay of a planned economy. The difficulties suffered by China's economic construction in the past were related to the fact that the major proportionate relations were not established soundly. Thus, on several occasions, when economic plans deviated from reality, disproportions occurred throughout the system, with the result that a great deal of time had to be spent rectifying the situation. Rectification, in essence, means a reestablishment of the proportionate relations that have broken down or been destroyed, thereby coordinating the development of the national economy.

There are many things to be included within the scope of the proportionate relations of the national economy, including the proportions of the process of social reproduction, interdepartmental proportions, proportions within departments, and so on. From the point of view of expanded reproduction, the most important are the proportionate relations between accumulation funds and consumption funds, between agriculture and industry and between light and heavy industry.

The proportion between accumulation funds and consumption funds are proportionate relations of a composite nature which in the long run decide the scale of national construction and the degree of improvement of the people's living standards. Accumulation funds are the source of expanded reproduction. The amount of accumulated funds decides the amount of surplus products in the society as a whole. Obviously it is not possible to use the surplus products

entirely as accumulated funds; first because during the period of any one plan, the population is going to increase and thus the increased population will produce its own surplus products. Second, on the basis of the development of production, the wages of workers and peasants will necessarily increase too, also bringing with it surplus products. Hence, it is necessary to deduct these two factors before surplus products may be used as accumulation funds. For these reasons the accumulation rate (the proportion that accumulated funds represent of the national income) is not likely to decrease, for if it did decrease, economic construction would not be able to develop. It should, however, be remembered, that it is not likely to shoot up either. On the basis of experience gained in 30 years of economic construction in China, it would seem reasonable to expect an accumulation rate of around 25 percent. If the rate rises above 30 percent, then disproportion occurs between accumulation and consumption, resulting in poorer achievements due to too much haste.

Distribution and redistribution of surplus products through the national income creates increased social purchasing power and more investments for expanding reproduction. The newly increased purchasing power goes towards buying means of subsistence, while the investments for expanding reproduction are used to purchase means of production. Whether or not they are able to complete this cycle depends on the limitations of the make-up of the social product (which consists mainly of the two major categories of social production).

This means that the question of whether the newly increased purchasing power can complete the cycle and be transformed into means of subsistence or not, depends on how much surplus means of subsistence exists in the social product after ensuring the original scale of production. Likewise, the completion of the cycle of investments for expanding reproduction into the means of production depends on the amount of surplus means of production after ensuring the original scale of production. In order to be able to correctly carry out expanded reproduction and as a consequence be able to improve the people's standard of living, it is necessary to have surplus means of subsistence and means of production, as well as suitable newly increased social purchasing power and investment for expanding reproduction. Within the realm of economic construction, China and several other socialist countries have made a few mistakes, mainly due to ignoring this very objective rule. More often than not there has been a subjective high-speed race towards overaccumulation, resulting in an oversized scale of construction and hence becoming divorced from the capability of the country's material resources and financial resources.

In order to achieve a suitable balance between the scale of construction and the country's material resources and financial resources, China has learned the following few lessons: 1) It is necessary to keep firm control of the entire scale of capital construction investments. The way to do this is to channel all kinds of construction funds, such as national investment,

material and enterprise funds, bank deposits and foreign investment into the state plan, thereby achieving harmony among funds and machinery and equipment, and between raw materials and construction power. 2) It is necessary to control the people's purchasing power by controlling overall wages and not permitting workers' wages to rise faster than labor productivity. Furthermore, the purchasing price of agricultural products and by-products must be controlled, thereby balancing the supply of market products. 3) Limits must be put on public finance outlays and loans in order to achieve a balance between revenue and expenditure, and loans, and hence produce a slight surplus. In this way it is much easier to achieve a balance between the income and expenses of public finances as well as the social purchasing power and the supply of material resources.

The proportionate relations between industry and agriculture are the most important of the interdepartmental proportionate relations. The labor productivity of China's agriculture is rather low, mainly because of the rather large restrictions on the role of agriculture in terms of industry and other areas of the national economy. According to past experience, every time agricultural production has been good, industry and other areas of the national economy have all developed very fast, thus not only does agriculture restrict the development of light industry it also restricts or affects the development of heavy industry. When disproportions occur in the national economy, the first thing to happen is a breakdown in the proportionate relations between accumulation and consumption and after this, a breakdown in the proportionate relations between agriculture, light industry and heavy industry. Hence, when setting up a plan and allocating funds, material resources and labor force, one main principle should be upheld, namely, to organize agriculture first, then light industry and finally to organize the speed and scale of development of heavy industry according to the situation in agriculture and light industry. The result of such an ordering would be that heavy industry would still occupy a relatively important position but by taking care of agriculture and light industry first, it would be possible to control funds from agriculture and light industry being squeezed into heavy industry.

#### 4. The Planned Economy and Market Regulation

When China began constructing its planned economy in the 1950's, lessons were to be learned from the experiences of the Soviet system of planned management, and to put undue emphasis on mandatory planning and ignored the role of the market. But, during the years of the First Five-Year Plan, the faults of such a management system did not become apparent. The reason for this was that China's national economy, at that time, was made up of many component parts and after being amalgamated through the market, it became obvious that it was not possible to fully adopt the Soviet system of planned management, although the methodology was still relatively viable. At this time, therefore, direct planning was only carried out for one sector of state-run enterprises, mainly enterprises managed by the central authorities, province or municipality) as well as enterprises under joint state-private ownership and collective agricultural and handicraft undertakings. As far as private enterprises and

individual agricultural and handicraft undertakings were concerned, the state placed orders with them and agreed upon forward purchasing contracts and used prices, tax revenue, credit and other such economic levers and administrative means to coerce them into joining in the state plan. Thus, during this period of construction of the planned economy, China was able not only to avoid rejecting the market, but also to make wideranging use of the market and the various economic levers available, in order to realize the state plan. There are those who do not understand why, if the First Five-Year Plan in China was based on the lessons learned from the Soviet system, economic life at that time did not ossify, for indeed, the market at that time was fairly active and successful. Now we may search for some answers to this question.

Problems related to the relations between a planned economy and the market arose in connection with private ownership of the means of production after the basic completion of socialist transformation. It was at this point that the shortcomings of the Soviet system of planned management of the early 1930's began to grow more evident. Thus by 1956 China was able to put together the lessons learned from this first period of construction of a planned economy and began to probe systems of planned management more suitable to China's specific situation. Both Mao Zedong's "Discussion of the Ten Major Relationships," and Chen Yun's "New Problems That Have Arisen Since the Basic Completion of Socialist Transformation" were produced during this period of time. "Discussion of the Ten Major Relationships" handled the question of how to organize the proportionate relations between agriculture, light industry and heavy industry and stressed the need to develop agriculture and light industry in order to promote the development of heavy industry. Furthermore, it was pointed out that in handling relations between the state, production units and individual producers, as well as relations between central and regional units, it was necessary to delegate a certain amount of power to the production units in addition to giving them some leeway and some benefits, thereby ensuring unity at the same time as independence. Furthermore, the need was stressed to give more independence to regions and allow more business to be handled on a regional basis. These principles, as can be seen, are still valid today. Based on the actual situation in China at the time, "new problems that have arisen since the basic completion of socialist transformation" discussed the concrete shape of China's socialist economy at the time, and included the following points: 1) In terms of the administration of industry and commerce, state and collective administration were the key, although in addition there was some individual administration, which was however supplementary to state and collective administration.

In terms of production plans, the vast majority of industrial and agricultural products were to be produced according to plans. Although a small proportion were also to be produced according to fluctuations in the market or free production within the sphere permitted by the national plan. Thus planned production formed the basis of agricultural and industrial production with free production based on market changes and restricted to the limits of the national plan, forming a supplementary part. 3) Within the unified socialist market, the national market should be considered the mainstay.

Although in addition there was a free market which, under national leadership, formed only a supplement to the national market, therefore making it a constructive part of the unified socialist market. Of course, this philosophy was in no way similar to the system of administration upheld by the Soviet Union during the early 1950s. First, it differed in that it confirmed that planned production was central to industrial and agricultural production and hence made free production, which was permissible according to market variations and within the sphere of the national plans, a subsidiary. Second, it differed by confirming that the planned market formed the mainstay to a unified socialist market, making the nationally led free market supplementary. This structure was not similar to any of the administrative systems of East European socialist countries either. In these countries the sphere of free production and the free market is relatively wide.

Why, then, were these philosophies not put into effect later? I feel there are two main reasons. One is that no correct explanations were reached to explain the relations between market regulation and the planned economy. In the mid-1950's many East European countries carried out economic reforms following Yugoslavia, in view of the failure of the Soviet Union's system of planned economy. One of the most important parts of these economic reforms was the varying extent to which stress was laid on the benefits of utilizing the market mechanism. The suitability of these moves thus destroyed in theory some of Stalin's theses, such as denying that the means of production are commodities and considering that the law of value does not help regulate production. In China, however, under the incorrect thinking of the "leftists" there was a period when these reforms were all considered as "revisionism" and it was during the 10 years of the "Great Cultural Revolution" that such thinking reached its peak. The other main reason is that after 1958, difficulties again cropped up in the development of the national economy which also were not conducive to carrying out reform of the system of planned management. Both China and other socialist countries have all experienced periods of time when the relations of the national economy have suffered severe disproportion and in general such cases always demand an increase in collectivization and unification as well as severe restrictions on the role of the market. If the supply of the means of production is not satisfactory then there is no alternative but to expand centralized distribution. If the supply of consumer products does not meet demand, then the only way out is to limit supply. Under conditions such as these, it was difficult to carry out reform and indeed some policies were even withdrawn after having been put into practice. It was only after the 3d Plenary Session of the 11th CCP Central Committee that it was agreed that readjustment, restructuring, reorganization and upgrading of the entire national economy should take place. Hence, only when the theory and concrete facts were available was it possible to further explore ways of reforming the system of planned management.

The concept of regulation by planning mechanism and regulation by market mechanism evolved from the concepts of a planned economy and a market economy. In the long term, many economists tend to call a socialist economy

a planned economy and a capitalist economy a market economy. However, such definitions do not reflect the true nature of the two systems of economy and in addition it is very easy to make the false assumption that a socialist economy completely rejects the market, while a capitalist economy completely rejects planning. As I said before, a socialist economy is a planned economy, but it does not by any means reject the market and it utilizes regulation by market mechanism; likewise, while a capitalist economy is not planned, it does not totally reject planning. Thus in order to illustrate more clearly the relation between planning and the market, economists tend now to say that a socialist economy is a planned economy based on the public ownership of the means of production which at the same time gives play to the supplementary role of regulation by market mechanism. In this sense a planned economy and the market become one. A socialist economy takes planned production as central, but when the state draws up plans, it must take note of market supply and demand (on a fairly long-term basis, such as changes in supply and demand over the period of 1 year). Regulation by market mechanism may only proceed under the guidance of planning, meaning that the sphere of such regulation must be within those permissible by the state plan. In addition the state may use various economic levers such as prices, taxation and loans to ensure that the alterations correspond to the needs of the planned economy.

### 3. Changes in China's Planned Management System

While the market and regulation by market mechanism may not be seen as one concept, they are certainly related, although they differ as well. In a socialist country with either planned or nonplanned production, it is necessary to go through the market in order to realize commodity value and use value. On the market everything is governed by the law of value, and in this sense the concept of the market is very broad. Market regulation is usually considered to be free production and free trade carried out on the basis of market needs under the direction of state planning and may be seen as having a very narrow range.

In the past, the mistakes of China's system of planned management have been to overcentralize and not lay enough stress on the importance of market regulation thereby restraining the full potential of enterprise, and the proportionate development of the entire national economy. One of the most important reforms in the system of managing the national economy has been, on the premise of supporting the continuation of a planned economy, to effectively bring into play the supplementary role of market regulation. Now, a few initial policies have already been introduced, with promising results. These policies are as follows.

First, pilot schemes for expanding the management and administrative autonomy of state-run enterprises. This is the prerequisite for practicing market regulation; for without the enterprises having the requisite autonomy, there can be no talk of market regulation. This administrative and management

measures which the enterprises have include the following: 1) On completing the state plan, the enterprise may organize production and the processing of materials according to the needs of the national market and exports. 2) The enterprise may market those goods not purchased by the commerce or material departments sectors as well as promote new products. 3) The enterprise, on conditions of having completed the agreements on commodity supply and the technological and economic indices drawn up in the state's annual plan may take a portion of the planned profits or the excess profits for its own funds. These funds are to be used to develop production, to aid the general welfare of the workers or to be given as prizes to individuals. 4) The enterprise has the power to arrange and organize the export of its own products and to use the foreign currency to import new technology, raw materials or vital machinery and equipment. Some of the new powers have a wider scope than general directives while others tend to be more restrictive but, in general, the effects of these new measures have been very evident.

Since it is now feasible for the enterprise to plan a proportion of its production according to market needs, it is no longer restricted to merely fulfilling the national plan, but may begin to actively carry out its tasks, promote its products and experiment with new lines. Since the enterprise now has a way in a portion of its funds, it is able to actively refurbish and improve on its equipment and expand reproduction. Because the enterprise now has the power to distribute its own funds, it is able to improve employees' welfare and raise the workers' enthusiasm about the importance of production. As a result, these enterprises which have been granted such powers have all such remarkable improvements in product quantity, quality and profits in general. As yet, it has not been possible to reform the entire system of the planned economy and for this reason the results are not totally stable. Nevertheless, 3 years of experiments in this direction have proved that the expansion of the administrative and management autonomy of enterprises is correct, and that it must be maintained and continued.

Second, dredge channels, expand circulation of commodities. In the past, the means of production have been kept separate from the market and have been subject to unified distribution by the material departments, while most of the means of subsistence has been subject to unified purchase and marketing by state-run commercial departments thereby completely isolating production enterprises from the market. But city commerce is not able to go into the countryside, nor are the supply and marketing cooperatives able to go to the towns, and thus administrative allocation of products in the various regions of the country created splits and barriers between the city and the countryside and between different regions, creating serious faults in the otherwise smooth circulation systems, and causing goods to be transported in very roundabout ways, hence increasing circulation costs. The last 2 years have already seen some initial steps taken to carry out some reforms. These steps include: 1) Dealing with the means of production in such a way that vital means of production or those in short supply are regulated and allocated according to the state plan and then, in accordance with the differing circumstances of each type, supply will be either without restrictions, rationed or only after close scrutiny. These measures help



keep a hold on society's reserves and help save floating funds. An example could be nonferrous metals for which a system of low-priced circulation vouchers was introduced 2 years ago. By 1980, reserves had fallen by only 166,000 tons, saving 600 million yuan. Today the country now has around 60 production materials markets, where buying and selling is free, lively and convenient. In Shanghai, the production materials trading market has already established relations with 200 production materials service companies and 1,400 production units. In 1980 trading totaled 300 million yuan and now the market has in fact become a regional trading center.

2) Consumer products: with the exception of some commodities which are important to the state plan and the livelihood of the people and continue to be subject to unified purchase and marketing by the commerce department, other commodities may all be ordered and purchased freely. Objectively speaking, those products which are still under state monopoly include commodities of the first category (such as paper, sewing machines and bicycles). Commodities of the third category (any commodities not in the first or second category) and newly-developed products are all ordered, selected and purchased within the commercial sector after which it is permitted for the enterprise to sell them itself or to be represented by the commercial sector. The unified purchase and marketing by the commercial sector of commodities of the first and second category usually amounts to about 70 or 80 percent of the commodities, thereby stabilizing the market and guaranteeing a suitable standard of living for the people. As for the remaining products, selective purchasing and ordering can encourage enterprises to improve quality, increase variety and bring production more into line with market demands. Here it should be pointed out that the relations between supply and demand of commodities is by no means fixed and unchanging, and as production develops, so the relations between supply and demand tend to vary and for this reason some commodities come under state monopoly and some are selectively purchased and ordered.

3) Break down the barriers between regions and between towns and the countryside, and starting to organize commodity circulation according to economic zones. In the past, retail shops were only allowed to stock products from wholesale stores in their own region. Now, there is no longer this restriction on stocking from one's own regional stores and it is possible to bring in stock from other areas as well as receive goods directly from the factory. Thus, in the past, it was forbidden to circulate goods on an interregional basis outside the national plan, but today, as long as the national plan has been fulfilled, such circulation is permitted. The system of supply and marketing cooperatives is also trying out pilot schemes for reform.

4) Develop and expand country fair trade between towns and the country. In the past such trading was restricted to villages only, but today many towns have set up agricultural trade fairs and shops where prices are negotiated. This has attracted the collective economy of the villages and also encouraged peasants to travel to the towns to sell their agricultural sideline products, thereby increasing the circulation of commodities between the town and countryside.

Third, schemes to correct the overcentralized and limited powers of management of prices, by applying fairly vigorous methods of price control. There exists a great deal of irrationality in the prices of agricultural and industrial products, some being too high, some too low, thus posing problems for the proportionate development of the national economy. Furthermore, it is damaging



successful improvements in economic management and to the reform of the management system of the national economy. In the long term it is very obvious that the price system needs reforming, but during the period of readjustment such reforms should not be too great, so that the basic stability of prices in general may be preserved. All that may be done at the moment is to put into action a few rigorous schemes to improve prices management, the main move being to permit the simultaneous existence of different prices; all this being done with the need to stabilize prices kept in mind. At present there are four main types of prices in existence:

- 1) Set prices: prices of important commodities which are related to the national plan and the livelihood of the people and hence fixed by the state. For example, the buying and selling prices of important agricultural products, the ex-factory prices of important raw materials, fuels and power, buying and selling prices of important consumer goods as well as standard prices and charges for railways, air travel and posts and telecommunications. Such prices as these must be unified and set by the state and if any alterations are necessary they must first be ratified by the prices management department.
- 2) Floating prices: in this type a standard average price is set, permitting price variations either up or down within the limits defined by the state. Another type of floating price has a set price ceiling, permitting only downward variations in price, while a third sets the bottom price and permits only increased variations. These kinds of prices include ex-factory prices, wholesale prices and retail prices. The limits of variation in floating prices is defined by the prices management department. The extent of such fluctuations must take note of product variations; important products which are few in number fall under the charge of various levels of regional administration while products in abundant supply are decided by the enterprise.
- 3) Negotiated buying and selling prices: negotiated buying prices are based on the supply and demand in the market and the prices are negotiated after considering such supply and demand as well as the prices of similar products and after consultation with the manufacturers. Negotiated selling prices take the negotiated buying price as a basis and then add expenses and profit margin of around 2-3 percent. Both types are slightly lower than prices in the country fair trade. Negotiated prices for agricultural sideline products only consist of third-category agricultural sideline products or first and second category agricultural sideline products which may enter the market having fulfilled the planned purchasing quotas. A certain number of industrial products also fall under this category of negotiated prices.
- 4) Prices on the country fair trade: any product which the government permits to go onto the market has its price fixed according to selling and buying levels, therefore freely allowing increases and decreases. Of these four types of prices, the former two generally fall into the category of planned prices, while the latter two belong to nonplanned prices. In China, the former two types are the mainstay of the pricing system while the latter two are supplementary.

In addition to these schemes, various other plans have been put into action. For example, investments for capital construction are gradually being provided more by banks than by the finance department and when this change

is complete, it will be possible to pay interest on such loans; furthermore changes are occurring in the foreign trade system, with total administration no longer in the hands of the external trade department, and today the state allows Shanghai, Tianjin, Guangzhou and various exporting provinces to set up their own export companies for foreign trade; changes are taking place in the employment system too and now, in addition to the employment department organizing employment, it is possible in some cases for workers to organize their own cooperatives and carry out individual operations, with the government providing the necessary help and guidance. Such measures as these are all designed to make better use of various economic means and of course to give full play to the role of regulation by market mechanism under the guidance of the state plan.

The reform of China's system of economic management has only just begun. Since the national economy finds itself at present at a stage of readjustment, such economic reform must obviously be limited to some extent. Some foreign economists feel that to reform an economy by carrying out various experimental schemes in a small number of enterprises cannot hope to succeed. Since the national economy is a complete entity in itself, while a small number of enterprises may be producing solely for the market, the rest of the country is still using old-fashioned methods of management, supply of raw materials and systems of pricing, and buying and selling. Hence under these conditions, the enterprises involved in the pilot schemes cannot be granted full powers. Naturally this viewpoint does have some foundation and China is already aware of this problem. But one should not, purely on the basis of that, totally deny the benefits of such pilot schemes. Reforms of the system of economic management affect production, distribution, exchange and consumption and hence it is extremely difficult to carry out reform simultaneously on all levels. Our country's practice shows that proceeding with reform from the moving has illustrated the potential for expansion of enterprises' administrative and management autonomy is viable and is conducive to promoting the reform of the system of management of the whole national economy.

CSO: 4006/635

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON ENTERPRISE REORGANIZATION

HK131003 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 8, 20 Aug 82 pp 22-27

[Article by Zhou Shulian [0719 0647 5571] of the Industrial Economic Research Office of the Chinese Academy of Social Sciences: "A New Approach to Enterprise Reorganization and Economic Construction"]

[Text] It Is Necessary To Fully Realize the Important Significance of Reorganizing Enterprises in an Overall Way

The CPC Central Committee and the State Council have made a decision recently that beginning this year, the state-owned industrial enterprises must be reorganized in an overall way within the next 2 to 3 years. This decision is a strategic measure to guarantee a new approach to the economic construction of our country. This work is now being done in various places with leadership, planning and step by step. But some comrades still have not really understood the significance of reorganizing the enterprises. For example, comrades from some enterprises said: "Where will the work of reorganizing end since we have carried out this work for many years following the downfall of the gang of four?" Some other comrades just did not understand the significance of this work and consequently they are satisfied with the present situation and with the facts that enterprises still have jobs to do, there are people who still want to buy their products and workers are still able to get awards and therefore they think that they can still get by. Still some other comrades said: "We have no intention of carrying out reorganization because we do not have enough production tasks" and "we have no time to carry out reorganization because we have a heavy production task." This situation shows that in order to enable the enterprises to carry out reorganization smoothly and with anticipated achievements, it is imperative both in theory and practice to show the important significance of the enterprises carrying out reorganization in an overall way so that the broad masses of cadres and workers and staff will understand the necessity and importance of reorganization and carry out this work well and consciously.

It is imperative to reorganize the enterprises primarily due to the present situation of the enterprises. Our socialist enterprises have tremendous advantages and potential. Following the reorganization work taken over the past few years and compared with the chaotic management during the 10 turbulent

ment, the present situation of the enterprises has basically changed. Thanks to the experimental reform of the economic management system and enterprise management system, the proper expansion of enterprise autonomy and the formation of the economic responsibility system, the initiative of the broad masses of workers and staff has been greatly raised, the management level of many enterprises has been constantly improved and the leadership of a number of enterprises has fostered business ideology and begun to understand how to carry out modern management. All these are undeniable facts. But we can in no way underestimate the present situation of these enterprises. We must understand that the reorganization work carried out over the past few years is of the nature of rehabilitation, the development of this work is not balanced and only a few enterprises have really done this work well. For example, an analysis of the present situation of enterprises made in the study classes for factory directors held by the Qingdao Municipal Bureau of the Marine-Building Industry shows that measures of the nature of rehabilitation have been taken over the past few years to reorganize the enterprises, but in spite of this, the enterprises still have the following problems to a varying extent. First, they are "undisciplined" which is shown in the incompetence of leading groups, undisciplined ranks of workers and staff, more hands than needed and loose discipline. Second, "chaotic" and this situation is shown in chaotic financial management, loosely carrying out financial discipline, weak basic work and indecisive management responsibility. Third, "low" and this situation is shown in low quality, high consumption, serious waste, low economic efficiency and in the fact that major economic and technical goals are lower than the best levels previously attained. Fourth, "dirty" and this situation is shown in uncivilized production, many accidents and serious environmental pollution. Another example, a province carried out financial checking early this year and it was found that of the 221 enterprises in 2 cities, 178 had violated financial discipline in varying degrees and this figure represents 80.5 percent of the total enterprises checked. To abide by state financial discipline is a bound duty of socialist enterprises. But how can we fully display the superiority of the socialist economic system when the situation of violating financial discipline is so common?

Even the enterprises that have carried out reorganization work better in the past few years now still have many problems in their management and they are still very far from meeting the needs of modern socialist enterprise management. Analyses made of some of the better enterprises in Beijing show that they are still lagging behind advanced enterprises in Shanghai and other places in matters of economic efficiency. Even the Shoudu Iron and Steel Company, which is an advanced enterprise with good economic efficiency, is not the most advanced enterprise in all technical goals. Therefore this company has decided to continue to study and use modern management methods through overall reorganization so as to realize rational organization in production and rational management, further tap potential and make further process. Investigations made of a car factory in Beijing shows that this factor still has many problems although one of its workshops has been cited as an advanced workshop for 3 successive years. These problems include: first, low utilization rate of working hours. The reason for this situation is lack of labor discipline and excessively lower labor quotas. Second, failure to complete workshop operation planning. The reasons are that workers' attendance is unstable,

Third, accidents and material losses occur because of damage to equipment and tools. Third, due to the lack of equipment maintenance, there is not enough training on basic operation and lack of concentration during operation, thus incidents involving equipment and workers often occur. Fourth, chaotic management over the products under production. There are many waste products and unqualified products and the situation of waste whereby products are taken away or lost is serious because there are no complete rules and regulations over the management of the products that are being produced. Fifth, workers' cultural and technical level is low. Of the 625 workers and staff in the factory, only 3 have college cultural level. Many are secondary school graduates, but they cannot even see blueprints. Young workers who make up 75 percent of the total workers do not receive education in specialized technical knowledge after they joined the factory. Some workers do not even know the names of the jobs that they have been doing for many years, nor do they know about the diagrams and in what part of a car the products they are making are used. Therefore from the viewpoint of advanced enterprises and advanced workshops, it is imperative to carry out reorganization.

#### Reorganizing Enterprises Is an Important Condition for Improving Economic Efficiency

It is necessary to reorganize enterprises also because a new approach to economic construction sets higher demands on the part of the enterprises. The core of a new approach to economic construction is to raise economic efficiency and therefore it requires the production of as many products as are needed in society with the minimum consumption of living labor and materials. [Words indistinct] the basic organizations of it and the only way to raise the economic efficiency rapidly is to improve their present situation and raise the management level through reorganization. At present, the economic efficiency of various enterprises differs very much from one to another. Statistics of the Ministry of Light Industry show that compared with the national average level, total labor productivity in Shanghai was 194.7 percent higher in 1980. The output value produced per 100 yuan of fixed assets was 170.8 percent higher while the profit made per 100 yuan of output value was 197.7 percent higher. There are many reasons for such differences but one of the main reasons is that the business management level of the enterprises in Shanghai is high. The situation of many enterprises in Shanghai also proved that enterprise reorganization is helpful in rapidly raising economic efficiency and this view is by no means accidental. Our present enterprise productivity embodies many contradictions such as outdated equipment, backward technology, inefficient labor force, unbalanced productivity, serious stockpiling of products and backward enterprise management. Of these contradictions, backward management is prominent. Backward management has not only hindered other important factors of productivity from fully displaying their roles but has also made it difficult to solve some problems in time and this situation has caused great difficulties in both production and construction. Through reorganization, enterprises will be able to further improve their management and by doing so, that means that these enterprises will have tackled the key problem in developing productivity and therefore it is natural that they will consequently be able to improve their economic efficiency.

we must appreciate the significance of reorganizing enterprises not only from the microeconomic viewpoint but also from the macroeconomic viewpoint. In reorganizing enterprises we must not only create conditions within each enterprise for improving economic efficiency but also create conditions for improving economic efficiency but also create conditions for improving economic efficiency within the sphere of the national economy. Enterprise reorganization is necessary not only for improving microeconomic effect but also macroeconomic effect. During a certain period in the past, economic theoretical circles mainly concentrated their study of how to guarantee the improvement of microeconomic effect from the standpoint of readjusting the structure and proportionate relations of the economy. This kind of study is very important. But it seems that we can in no way neglect the fact that enterprise reorganization also brings about necessary conditions for improving the macroeconomic effect.

Now let us first of all look into the relations between enterprise reorganization and persistence in planned economy. Comrade Chen Yun has stressed recently that the socialist economy is a planned economy while the superiority of the socialist system can be fully displayed only when we are able to persist in planned economy as the main factor and market regulation is the auxiliary factor. Currently, there is a tendency in our economic sector to weaken and depart from planning. For example, some enterprises are unwilling to undertake the planned tasks that are assigned by the state, some even refuse to take on tasks of the same level they reached in the previous year, demanding more leeway so that they will be able to surpass planned goals easily, retain more profit and more rewards. Other similar situations include keeping products that are in short supply for themselves, refusing to produce goods that are in excessive supply and demanding that the state purchase such products, retaining the profit that should be turned over to the state and sparing no efforts to take away state financial revenues. There are many reasons for all these situations. The work of persisting in the planned economy must be carried out in many aspects and this work requires improvement of the planning work by the state planning department. At the same time, it is imperative to correct enterprise business thinking so that workers and staff will pay more attention to planning, that they will be able to take the situation of the whole country into account and work hard to improve the level of enterprise management. Apparently, it is difficult to realize state planning without carrying out readjustment. If enterprise business thinking is wrong, enterprise management will be in a mess and under such conditions it is impossible to provide planning bodies with accurate information in due time. Consequently, planning work will lack a solid foundation and it is difficult to work out a national economic plan on a scientific theoretical basis and in accordance with reality. Under such conditions, it is also difficult for the principle of giving play to the initiative and creativity of enterprises by market mechanism to achieve the expected active result.

Second, let us look into the relations between organizing enterprises and readjusting the national economy. The readjustment of the national economy is aimed at rationalizing the economic structure so that various national economic departments will be able to develop harmoniously and in the best proportion; but all these aspects cannot be realized without the role of the enterprises.



For example, in order to put the principle for realizing the development of industry producing consumer goods in an important position, the enterprises producing consumer goods must improve management, carry out study and investigation conscientiously and produce quality and low-priced consumer goods that are needed by the masses of the people. At the same time, it is necessary to provide more financial revenue but not to carry out production blindly as some enterprises have done because such production resulted in the fact that "industry is happy, commerce is unhappy, warehouses are stockpiled and financial revenues is decreased." Another example, in order to further readjust the service orientation of heavy industry, it is also demanded that through reorganization, heavy industrial enterprises should serve agriculture and the consumer-products industry still better, serve the technical transformation of the national economy, serve exports and serve the modernization of national defense. It is a key task at the present stage to readjust the national economy and thanks to this readjustment, the proportion of our national economy has become more balanced and this situation is in fact also a favorable condition for enterprises to improve their management. Nonetheless, we must also understand that readjustment and reorganization condition each other. Therefore to reorganize enterprises also means to have accomplished an important condition for accomplishing the task of readjustment. Facts have proved that it is difficult to complete the tasks of rationalizing the economic structure unless the current situation of many enterprises is further improved and the necessary measures are taken to readjust and reorganize enterprises. Therefore it is imperative to combine well readjustment with reorganization and to do a good job in this respect.

Third, let us look into the relations between reorganizing enterprises and carrying out technical transformation. For the existing enterprises, to carry out technical transformation step by step and concentrating on certain major items and to gradually change the technical situation of the whole national economy are necessary for the realization of the modernization program and this work is an important content of a new approach to economic construction. It is only in this way that our national economy will be able to gradually take the road of intensive production and guarantee that economic efficiency will be constantly raised. Following the development of science and technology, the role of technical progress in developing production will become bigger and bigger. How should we quicken technical transformation and realize technical progress? In this respect, we must fully display the roles of the existing enterprises. In capitalist countries, technical transformation is the business of each enterprise; consequently this work cannot depart from the role of the enterprises themselves. But under the socialist system, technical transformation must be carried out in a planned way and step by step while the state must step up its leadership over technical transformation and the work of scientific and technical departments must also be stepped up. At the same time, it is also necessary to enable enterprises to have the motivation and capacity for carrying out technical transformation. Of course, socialist enterprises also require external conditions for carrying out technical transformation. But if the management level of enterprises is too backward, they cannot carry out technical transformation well even if they have the external conditions. In carrying out technical transformation now, enterprises in our country have found that they do not have enough funds while on the

other hand, the funds that should be used in renewal and transformation are mainly used in capital construction. Investigations showed that only about 20 percent of enterprise depreciation funds are used in renewal and transformation. This has happened not only because of shortcomings in our planning work but also because the management of our enterprises is backward. So it shows that the situation of enterprises does not accord with the needs of technical transformation. How can we carry out technical transformation well if this situation continues to develop? Technical transformation must be aimed at raising economic efficiency and this goal can also be reached only through doing a good job in working out planning for technical transformation and in reorganizing enterprises. Therefore it is not difficult to understand that enterprise reorganization is also an important condition for our national economy to carry out technical transformation smoothly.

Finally, let us look into the relations between reorganizing enterprises and reforming the economic management system. There are many shortcomings in our economic management system, consequently, it is imperative for us to meet the needs of socialist economic law and form an economic management system that is in line with our national condition and able to fully display the superiority of the socialist system. It is a very complicated and arduous task and it must be carried out actively and stably. Reform and reorganization also condition each other. We have stressed the importance of the role displayed by the reform of the economic management system in mobilizing the initiative of enterprises. We cannot say that it is groundless to stress this aspect because the original economic management system that is excessively centralized has restricted enterprises from displaying their initiative. But at the same time we must understand that if we are able to reorganize enterprises well, that means we have also created the conditions for a smooth reform of the economic management system. The present situation indicates that to carry out reorganization is also to set a foundation for further reforming the economic management system. Take the situation of the industrial economic management system for example. All the enterprises that have done a good job of reorganization have been able to carry out the economic responsibility system fairly smoothly and with fairly good achievements. On the other hand, the enterprises that have not been able to carry out reorganization well have met many problems in implementing the economic responsibility system. It is also often the case that these enterprises fail to handle well the relations among the state, themselves and the individual and as a result, state financial revenue is not guaranteed and there may even appear various forms of undesirable practice. Shanghai and other cities have summed up their experience in carrying out the economic responsibility system and consequently pointed out that reorganizing enterprises is the foundation for introducing the economic responsibility system. They held that for the enterprises with weak leadership and chaotic management, it is imperative first of all to carry out reorganization so as to create the necessary conditions. The leading groups with relatively strong and complete basic management work can directly introduce the economic responsibility system or can carry out the economic responsibility system interchangeable with reorganization. This view is by no means groundless. Facts have proved that if reform is carried out without first improving the current situation of enterprises, some will not achieve the anticipated results and will have a negative effect. But we do



not mean that at the present stage we cannot carry out any reform; what we mean is that reform must be combined with reorganization so that they can complement each other and can be carried out simultaneously while each step of reform will attain the anticipated achievement. We must also understand that with the introduction of reforms, the requirements on the enterprise management level are becoming higher and therefore it is necessary for us to set a better foundation in this respect through reorganization.

#### Enterprise Reorganization is a Form of Building Socialist Enterprises

In order to have a deeper understanding of the important significance of reorganizing enterprises, it is also necessary to study the development law of socialist enterprises. Socialist enterprises are set up following the establishment of the public ownership of the means of production. These enterprises are in a process of constant development and this process is the process of constant building. The building of socialist enterprises covers many aspects mainly composed of the following: (1) The building of a leading group. That is, to gradually build a leading group that is capable of implementing the party's principles and policies and managing well socialist enterprises according to the needs of socialist economic law. (2) The building of the ranks of staff and workers. That is, to build a contingent of staff and workers who are professionally and politically qualified. (3) The building of a business management system. That is, to set up a scientific and civilized management system that is characterized by the nature of the relations of socialist production and is in line with the needs of the development of productive force. (4) The building of business ideology and business styles of work. That is, to foster socialist business ideology and form socialist business styles of work. In addition, there is the building of the foundation of material technology. That is, to gradually build an advanced material technical foundation that is suited to, and in the interests of, raising economic efficiency. All these are protracted and arduous tasks. Socialist enterprises are a new type of enterprise and there are many problems to be studied as to how to build such enterprises. In addition, the environment of these enterprises is changing, science and technology is developing and economic relations are becoming more complete and all these have constantly set new demands on the building of enterprises. Furthermore, the original management level of our enterprises was not high and in the process of their development, these enterprises have been subject to the interference and influence of various wrong ideologies. Therefore in order to enable socialist enterprises to shoulder the task of being the basic organizations of the national economy, we must pay much attention to the building of socialist enterprises.

How to build well socialist enterprises and guarantee that they will develop smoothly? It seems that various measures are needed. For example, to do a good job of daily management work. The building of enterprises cannot be separated from doing management well and therefore we can in no way neglect this work. Another example is to do a good job of ideological work in enterprises. This work is necessary to as a method for constantly raising the ideological consciousness of the leading groups and workers and staff of enterprises, tapping their initiative and creativity and helping them foster the socialist business ideology and work style. It is also necessary to train

staff and workers in rotation and regularly so as to constantly raise their technical level, management level and ideological and political level; to constantly perfect the economic management system so that it suits the changes of productivity and production relations, and enable enterprises and staff and workers to display their initiative in carrying out management. In addition to these forms, it is also necessary to reorganize enterprises for a certain period. We have reorganized our enterprises on many occasions since the founding of new China. Following the confiscation of bureaucrat capital in early liberation days, we carried out democratic and production reforms in enterprises; that was the first reorganization. During the period of national economic readjustment in the early 1960's and following the downfall of the gang of four we also carried out nationwide enterprise reorganization. In the current readjustment period, reorganization has been defined as a content of the eight-character policy. All this proves that enterprise reorganization is a vital and indispensable form for building socialist enterprises.

To regard enterprise reorganization as a form for building socialist enterprises has the following features. First, universality. That is to say, this reorganization covers many enterprises. For example, all state-owned industrial, commercial and communications enterprises are to be reorganized in groups and step by step in 2 to 3 years. Second, completeness. That is, the contents of reorganization are relatively complete. For example, the reorganization now being carried out involves leading groups, the roles of workers and staff, labor organization, labor discipline, management system, party work style and strengthening ideological and political work. Third, overcoming chaotic conditions and correcting mistakes. This aspect includes overcoming the chaotic conditions in management, strengthening financial discipline and labor discipline and correcting wrong business ideology and unhealthy practices. Fourth, reorganization is carried out with the guidance and participation of leading bodies. Reorganization is necessary for the following reasons: First, enterprises will naturally meet with some problems in their development. These problems include those to be solved through daily business management work and ideological and political work, and other problems to be collectively resolved through reorganization in a certain period. Second, the management of a number of enterprises is still in a chaotic state for certain reasons. For example, the order of a number of enterprises was spoiled by the influence of the wrong leftist guiding ideology during the "great leap forward" years while the management level of enterprises was affected during the turbulent 10 years due to interference and sabotage by the gang of four. Enterprise reorganization is imperative to correct this situation. Third, under the situation in which the economic development strategy is experiencing big changes such as a new approach being taken in our economic construction, it is also necessary to reorganize enterprises so that they will be able to accord with the new situation and new tasks.

**Enterprise Reorganization Must Proceed From Reality and We Must Study How To Consolidate the Achievements of Reorganization**

Each time enterprise reorganization is carried out, it has different problems to solve. Now, enterprise reorganization is being carried out in an overall way so as to enable the enterprises to accord with the needs of the new approach in economic construction and this enterprise reorganization represents enterprise building. This reorganization sets high demands. That is to say, it

is aimed not only at raising economic efficiency but also at solving various problems that exist in the economic responsibility system, labor organization, financial discipline and leading groups. In carrying out this reorganization, it is also necessary to work out a systematic and complete construction plan so as to do a good job of the "three constructions" and reach the goal of "six good requirements." That is to say, we must, through reorganization, gradually set up a leading system that is characterized by democracy and centralization, form a contingent of staff and workers who are professionally and politically competent and set up a scientific and civilized management system. The six good requirements represent good consideration of the relations among the state, enterprises, and staff and workers, good quality products, good economic efficiency, good labor discipline, good and civilized production and good political work. This is a goal of our struggle and each enterprise must proceed from its own specific conditions and spare no efforts to reach this goal. We must understand that during the 10 turbulent years, many good traditional experiences of our socialist enterprises were seriously damaged. These experiences have yet to be restored and consequently the level of the starting point for enterprise reorganization is quite low. Some enterprises still have to fulfill the tasks of reorganization for rehabilitation. Therefore in working out building plans, each enterprise must proceed from its own reality, persist in the principle of seeking truth from facts and pay attention to efficiency. They must in no way indulge in putting forth unrealistic tasks and slacken their current and urgent work that already has the conditions for being carried out.

According to the present situation of many enterprises, it is very important in carrying out reorganization to pay attention to the basic work of reorganizing enterprise management. This basic work includes perfecting original records, doing a good job of calculating quantity, statistics and accounting, defining various norms and standards, defining responsibility systems and technical regulations as well as rules and regulations for management. To do a good job of basic work is a premise for doing a good job of other management work. For example, if the original records are not complete and if we fail in doing a good job of quantity calculation, statistics and accounting, it will not be possible for enterprises to make correct decisions in time and to work out scientific plans. Another example, without accurate norms and standards and without a strict responsibility system, it is impossible for enterprises to set up a complete labor organization and checking system and to effectively control and regulate production and construction. There is a basic demand for all enterprises to do a good job of basic work. The basic work of many enterprises is weak now and so far this situation has not drawn enough attention. Weak basic work and serious chaotic situations in enterprises must be improved considerably through the current reorganization work.

We must also study how to consolidate the achievements of enterprise reorganization. Reorganizing enterprises is a necessary form for the construction of socialist enterprises. But this work can only be carried out at certain times, it cannot be carried out regularly. In order to enable enterprises to continue to make progress following reorganization, it is necessary to consolidate the achievements of the reorganization. How to consolidate these achievements? First, we must thoroughly get rid of "leftist" guiding ideology

in economic construction, persist in the party's correct line of economic construction and follow a new approach to economic construction. Second, we must persist in defining various rules and regulations during reorganization so that they will become more perfect. Third, carry out regularly ideological education to help staff and workers foster correct business ideology and form a good work style, strictly follow laws and rules and regulations, carry out party and government principles and policies and constantly improve management level. Fourth, reform the economic management system gradually and in a planned way and set up a socioeconomic system that enables enterprises to carry out economic activities according to socialist principles. At present stage, it is particularly important to combine the establishment and perfection of the enterprise management so as to raise people's awareness in improving enterprise management. Fifth, step up social supervision over enterprises. This work includes perfecting economic legislation and economic administration of justice, setting up bodies that are specialized in economic supervision and inspection and fully displaying the role of statistics, investigations of planning, finance, tax, banks, prices and customs, and the supervisory role of industrial, commercial and administrative departments over the enterprise economy. It is also necessary for the higher organizations to enterprises to carry out reorganization and set up strict responsibility systems. In short, we must spare no efforts to reorganize well enterprises and consolidate the achievements of enterprise reorganization so as to victoriously take a new approach to economic construction.

CSO: 4006/633

## ECONOMIC MANAGEMENT

### SHANGHAI MAYOR ADDRESSES QUALITY CONTROL CLASS

OW291055 Beijing XINHUA Domestic Service in Chinese 1548 GMT 25 Aug 82

[Text] Shanghai, 25 Aug (XINHUA)--Shanghai Municipality's first study class for bureau directors and managers to enable them to systematically learn about comprehensive quality control concluded today.

The 3-day study class, sponsored by the Shanghai Municipal Economic Commission, was attended by 63 bureau directors and managers from industrial, capital construction, finance and trade and agricultural departments in Shanghai.

Professor Liu Yuanzhang, well-known Chinese expert on quality control and deputy council chairman of the China quality control society, on invitation, specially traveled from Beijing to Shanghai to lecture the bureau directors and managers on the theory and basic principles of carrying out comprehensive quality control and enterprise consolidation and of improving economic results. Wang Daohan, Shanghai mayor, addressed the study class, urging the participants, on completion of their study, to work out programs for the temporary and permanent solution of problems in order to raise the level of enterprise management and product quality control.

Directors of the Shanghai No. 17 Cotton Textile Plant and the Shanghai Sulphuric Acid Plant briefed the class on how they carried out comprehensive quality control and improved economic results at their plants. The chief engineer of the Shanghai No. 1 Television Plant and representatives of some outstanding quality control teams in Shanghai also described their achievements and experience in practising scientific management and comprehensive quality control.

Shanghai Municipality will sponsor more study classes on comprehensive quality control to enable all bureau directors and managers to participate in systematic study in groups and by stages.

CSO: 4006/625

## ECONOMIC MANAGEMENT

### GUIZHOU: FINANCIAL DEPARTMENTS IMPROVE ECONOMIC RETURNS

HK231059 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 22 Aug 82

[Summary] Since the beginning of this year, the financial and trade departments in Guizhou Province have laid stress on improving economic returns and grasped the following five main aspects of work:

"1. The province has vigorously promoted industrial and agricultural production and made good arrangements for people's livelihood. Due to serious natural disasters last year, our province incurred losses in agriculture. With the earnest concern of the CPC Central Committee and the State Council, since the beginning of this spring, grain departments at all levels have stepped up transporting grain from other provinces and promptly made arrangements for the livelihood of people in urban, industrial and mining areas, particularly for the livelihood of people in stricken rural areas. Financial departments and banks have appropriated relief funds of 27.51 million yuan and issued agricultural loans of 190 million yuan. Moreover, supply, marketing and commercial departments have supplied some 600,000 tons of chemical fertilizers and other materials used in agriculture in advance so that agricultural production can be restored and developed very quickly.

"2. The province has achieved brisk buying and selling and made the market thrive. The total amount of purchases transacted by state-owned commercial units in the first half of this year was 11.2 percent more than in the corresponding period of last year." By 10 August, the whole province had overfulfilled its quota for rapeseed procurement by 800 million jin, a record. The number of pigs procured was 51 percent more than last year. The total amount of commodities transported by units of the commercial department from other provinces was 3.1 percent more than last year. The total amount of retail commodities sold throughout the province in the first half of this year was 1.514 billion yuan, 12.14 percent more than in the first half of last year.

"3. The financial situation is excellent and cash income has greatly increased. The amount of money issued has been reduced. The province's revenue in the first half of this year was 43.42 percent of the budget for this year and 22 percent more than in the corresponding period of last year. The province's expenditure in this period was 27.96 percent of the budget for this year, 26 percent more than in the same period of last year. The amount of cash income in the whole province in the first half of this year was 16.1

percent more than in the first half of last year. The amount of money issued in this period was 7.9 percent less than in the corresponding period of last year. By the end of June, the amount of savings in urban and rural areas throughout the province was approximately 100 million yuan more than at the beginning of this year.

"4. The province has achieved initial results in striking blows at the serious criminal activities in the economic sphere. This year, the financial and trade departments and their affiliated organizations have organized some 1,200 people into work groups, which, in coordination with all departments, have conducted a large-scale inspection of finances in enterprises and discovered some 2,000 cases in violation of discipline and the law. Some 400 of them have been economic cases. They have discovered that 38 million yuan which should have been paid in accordance with the law, has not been paid. Some 17 million yuan has been paid into the treasury.

"5. Ideological and political work has been strengthened and a new start in building spiritual and material civilization has been made. The staff and workers have actively improved the mode and attitude of service. The majority of enterprises have established a new custom of doing business in a civilized manner and treating customers politely. A large number of 'five-good' staff and workers and 'six-good' enterprises have emerged."

CSO: 4006/625



GUANGDONG'S INDUSTRIAL ENTERPRISE RESPONSIBILITY SYSTEM DISCUSSED

Guangzhou YANG CHENG WANBAO in Chinese 16 Jun 82 p 2

[Article by Gu Zuoyi [7357 0155 5030]: "Urgent Solutions Sought for Some Problems in Perfecting the Economic Responsibility System in Guangdong Industrial Enterprises"]

[Text] On the foundation of an expansion of experimental enterprise units with self-management and of an extension of the experiences of Qingyuan County, Guangzhou Province instituted various forms of economic responsibility systems. Presently, over 90 percent of the state-run industrial enterprises throughout the province have already instituted various forms of economic responsibility systems and achieved good results. However, due to the fact that the system has been operated for only a short time and experiences are still insufficient, the problems that still exist are quite numerous. We must continuously sum up further experiences so as to gradually attain perfection. Presently, we must give our attention to solving well the following few problems:

1. Focus attention on the potential and not on money. Instituting the economic responsibility system in enterprises has as its point of departure and as its objective the strengthening of enterprise management, mobilization of initiative within the enterprises and increasing the economic effectiveness. This demands of us that we should set up "focus attention on the potential".

This potential has two facets. Firstly, there is the human potential. The workers are the most active factor among the productive forces. We must improve enterprise management, make a rational disposition of the labor force, effectively organize division of labor and cooperation within the enterprises, bring the initiative of every single worker into full play, strengthen political ideological instruction and the technical training of staff and workers, and raise the ideological and technological level of the staff and workers. Secondly, we must tap the potential inherent in the original production equipment. There are many old enterprises in our province, with obsolete equipment and backward technologies. They consume much raw and other material as well as energy. At present we are short of capital necessary to carry out overall remodeling of their technologies and the renewal of their equipment. However, there is a fairly large potential there, and if we could tap this potential to the fullest extent, it would indeed be an effective way to raise the economic benefits from these old factories. Furthermore, there is now still quite some shortage of



electricity and other kinds of energy needed for industrial production, and factories are rather short of capital. It therefore behooves us to devote more energy to the tapping of potentials, to innovations and reforms, to economize as far as possible on our consumption of raw and other materials, also to put an end to all waste, to reduce production costs and to finally achieve our objective of increased production, increased income and higher economic effectiveness.

However, if the enterprises, following inception of the economic responsibility system, will acquire a certain autonomy in production and management and certain economic interests of their own, this may easily lead to their deciding their own economic activities purely according to their very own interests. Some enterprises, guided by the ideology of "focusing all attention on money," are one-sidedly in pursuit of larger income for their enterprise and its staff and workers without giving any thought to improving the quality of their management, or expending any energy in that respect. They are also employing various improper methods in their efforts to garner profits for their enterprises. Guided by the ideology of "focusing all attention on money," some enterprises are showing little sense of responsibility to the state and the plan, being more concerned with their partial and immediate profits. They end up by just manufacturing anything that brings a profit for their enterprises. If profits are high, they produce it on a large scale. If profits are small, they produce it on a small scale, and if there are no profits to be gained, no production at all is undertaken. They are unwilling to produce commodities that are in short supply, if these commodities earn little profit or are small items. By such methods they simply divorce themselves from the direction of socialist production and pervert the real intentions for instituting the responsibility system for enterprises. Methods of this kind must be resolutely corrected.

2. We must establish a comprehensive system of economic responsibility. Presently, the system of economic responsibility in enterprises instituted by the state places main emphasis on the profit and loss index, stressing particularly the word "profit." This leads to many abuses. Firstly, it is apt to have enterprises one-sidedly pursue profits and encourages a trend toward the "focus all attention on money" mentality. Secondly, it is detrimental to our true integration of the three factors: authority, responsibility and profit. The economic responsibility system should be an integration of these three: authority, responsibility and profit, and among these the "responsibility" ought to be the most important factor. The "responsibility" is not only one of compiling the state's profit and loss index, but also comprises the responsibility of the enterprise to implement the state plan and to strictly observe the state's policies, laws and decrees. This responsibility system must also become evident in the various aspects such as production, technologies and management within the enterprise, and a comprehensive, yet concrete, responsibility system must be established for all sections of the production line. Thirdly, by only concentrating on the profit and loss index, attention is actually paid only to the value index and the use value index is being neglected. In socialist production of commodities, value and use value form a union. By only emphasizing the value index, manufacturers are led to engage in a rough and slipshod way of production and to a neglect of the important aspect of raising the quality of the commodities they produce. Fourthly, due to various complexities now existing, such as imperfections in our pricing and taxation, the profits of an

enterprise cannot completely reflect the quality of its management. It is therefore necessary to establish a comprehensive economic responsibility system. The tasks for which an enterprise should be responsible, apart from compiling the profit and loss index, must also comprise the completion of a production plan index, economic and technological index and a quality index. Only in this way will the enterprise be made responsible to complete all the various economic indexes, profit and loss indexes and technological indexes, which will then impel the enterprise to reform its business management, endeavor to raise its economic effectiveness, produce ever increasing profits and tax revenue for the state and at the same time increase the income of the enterprise and its staff and workers.

3. We must uphold the principle of "consideration for all three," correctly deal with the relationship between state interests, enterprise interests and the interests of staff and workers. After instituting the economic responsibility system in the industrial enterprises, it is necessary to emphasize that consideration must also be given to the interests of the state. In the preceding stage, due to our one-sided emphasis on the profits of the enterprise and one-sided emphasis on the state treasury to give up profits, the base contract figures of profit in some enterprises were disproportionately low and the profits retained by the enterprises were comparatively high, so that it happened that the enterprises showed increased production and increased income, while the income of the treasury dropped. The gross industrial and agricultural output value of our province in 1981 increased 23.1 percent compared with 1978, but the provincial revenue decreased by 22 million yuan. We must therefore make appropriate adjustments in the profits retained by the enterprises. Next, in the annually increasing profits of the enterprises, the state's share should be larger than that of the enterprises. Under ordinary circumstances the state's share in the increases gained year by year by the enterprises must not be less than 60 percent. Thirdly, the enterprises must allot a certain capital accumulation as necessary capital for technological remodeling, renewal of equipment and the development of new products. However, the rate of profit retention by enterprises must not exceed the rate at which profits increase. Fourthly, there must be a strict control over the granting of bonuses. The rate of increasing bonuses to staff and workers must be below the rate at which labor productivity and profits increase. The level of bonuses must rise and fall according to production conditions and profits, there must be ups and downs. Reckless issuing of bonuses is harmful to our gradual development and expansion of production.

If the above three aspects of the problem are successfully dealt with, the economic responsibility system in the industrial enterprises of our province can reach new heights of perfection.

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## ECONOMIC MANAGEMENT

### ECONOMIC DISCIPLINE IN DOMESTIC, FOREIGN TRADE DISCUSSED

Fuzhou FUJIAN RIBAO in Chinese 1 Jun 82 p 1

[Article by the Intelligence Section of the Provincial Foreign Trade Bureau: "Strictly Observe Discipline in Domestic and Foreign Trade--The Provincial Foreign Trade Bureau Issued a Notification to All Cadres, Staff and Workers in the Foreign Trade Departments Throughout the Province, Reiterating 10 Items of Discipline and Rules"]

[Text] Recently the Provincial Foreign Trade Bureau issued a notification to all cadres, staff and workers in the foreign trade departments reiterating 10 items of discipline and rules that must be strictly observed in domestic and foreign trade activities.

Discipline and rules demand of all cadres, staff and workers involved in dealings with foreign nationals or organizations that they observe courtesy and etiquette, be neither supercilious nor obsequious, and guard our country's reputation and national honor. Payment of commissions and discounts that must be paid in export trade according to international trade practices must be strictly effected according to the rules; there must be no overstepping of authority, nor giving or taking of gifts. If the customer insists on presenting a gift, despite polite refusals, it must be turned over to the higher authority according to the rule, and it must not be disposed of in an unauthorized way. Samples of export goods must be sent out according to the rules, but must not be disguised gifts. In receiving customers it is not always necessary to treat them at banquets, also not necessary to reciprocate their invitations, and even less necessary to feast them repeatedly. If an invitation becomes unavoidable, such must, according to rule, be submitted to the higher authority for approval, and the number of staff from our side who are to attend the banquet must be strictly controlled. In arranging the production of export goods, one must arrange of one's own accord good cooperation in such activities as procurements and allocation and transfer of goods, and must conscientiously implement and carry out the commodity price policies and all relevant rules. There must be no overt or disguised forcing up of commodity prices or unjustified downgrading when procuring the goods. No one must take advantage of official duties to demand private benefits. Cooperation in obtaining goods and material between provinces or within the province must, according to rule, be approved by the leading authority in charge and carried out through regular channels. It is not permissible to have such activities clash with the state plan or to unduly

raise the prices in a scramble to buy up such goods. There must be unified supervision of all samples of import goods and samples presented by the production units. It is not permissible to dispose of these goods at a price determined internally, nor to distribute them privately without authority or to appropriate them to oneself.

The notification also stipulates that whenever any kind of conference is convened, it is not permissible to distribute souvenirs of any kind. Commodities and material that are found unsuitable for export and diverted to the domestic market, must, according to rule, be examined and approved for sale. They must be sold through regular channels and must not be disposed of internally.

The notification demands that the foreign trade departments at all levels and others concerned with foreign trade activities strengthen ideological political work, pay close attention to and make a success of instructions on observing discipline and on the duty to abide by the law. They must scrupulously observe discipline in dealings with foreign nationals or organizations, and conscientiously observe discipline and rules in foreign trade activities. Every unit, especially the leadership at all levels, must courageously take action against violations of discipline and earnestly deal with such cases, which, if sufficiently serious, must be controlled by administrative disciplinary action, by party disciplinary action or according to state law.

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CSO: 4006/511

## ECONOMIC MANAGEMENT

### LENIENCY OFFERED TOWARD THOSE WHO ACKNOWLEDGE THEIR CRIMES

Guangzhou NANFANG RIBAO in Chinese 22 May 82 p 1

[Article: "Since 1 May Another 300-odd Economic Criminals Surrendered Themselves and Confessed--Urgent Appeal to Economic Criminals To Surrender Themselves Speedily, Confess and Gain Leniency--The Standing Committee of the Provincial People's Congress Agrees to the Proposals of the Provincial Procuratorate"]

[Text] In order to redeem an even larger number of persons who had gone astray at one time, the provincial people's procuratorate put forward a proposal to the Standing Committee of the Provincial People's Congress for continued propaganda on the subject of the "Resolution on Severe Punishment of Criminals Who Have Inflicted Serious Damage on Our Economy" passed by the Standing Committee of the NPC, and for an urgent appeal to economic criminals to surrender themselves at an early date in order to gain leniency. This proposal was unanimously approved yesterday at the 17th session of the Standing Committee of the Provincial People's Congress.

In its proposal the procuratorate stated that after the publication of the "Resolution" by the Standing Committee of the NPC, our provincial procuratorial organs at all levels, acting under the guidance of the party committees at all levels and in cooperation with the departments concerned, had launched widespread propaganda on the subject of the "Resolution." From 10 March to 30 April, 1,648 persons surrendered themselves to the procuratorial, political-legal, party and government agencies, confessed and made a clean breast of their crimes. In the case of 72 persons the amounts involved exceeded 10,000 yuan. Cadres of the rank of county deputy section chief and above numbered 86 persons, who confessed to having acquired 4,689,000 yuan illegally and refunded 3,325,000 yuan of such ill-gotten gains. The mentioned facts clearly explain the high power exerted by the "Resolution" of the Standing Committee of the NPC. It promoted the launching in depth of an attack against the serious criminal activities in the economic field and served as a powerful weapon to redeem those who had gone astray at one time.

The proposal stated that still after 1 May, even though the time limit set by the NPC Standing Committee in its "Resolution" for leniency toward offenders had passed, quite a number of economic criminals gave themselves up to the procuratorial organs and departments concerned to confess and make a clean breast of

their crimes. According to the procuratorate's statistics for the five areas of Guangzhou, Huizhou, Foshan, Zhanjiang and Hainan, another 359 persons gave themselves up during the first 10 days of May and confessed; 268 in Guangzhou Municipality, 11 in the Huizhou area, 32 in the Foshan area, 19 in the Zhanjiang area and 29 in the Hainan administrative district. In view of the comparatively serious situation of economic crimes in our province, and in order to redeem many more people who had at one time gone astray, also to promote an in-depth struggle against serious criminal activities in the economic field and to implement the party's consistent policy of leniency to those who confess and severity to those who refuse to, it is especially proposed:

1. To continue propaganda on implementing the two resolutions of the NPC Standing Committee and the CCP Central Committee as well as of the State Council, to continue propaganda on the consistent policy of the party and the government regarding criminals, namely of "leniency to those who confess and severity to those who refuse to confess," to urge personnel who have committed economic crimes to continue to speedily surrender themselves to the party and government organs, to public security, procuratorial, judicial and other departments concerned, to confess, make a clean breast of their crimes and to expose and inform, also to return voluntarily their ill-gotten gains and thus gain lenient treatment.

2. Concerning personnel who have committed crimes against the economy and who obstinately stick to the wrong course, refuse to surrender themselves, refuse to confess and make a clean breast of their crimes, to consider them, as soon as they are found out, without exception as continuous offenders and punish them with the greatest severity according to the new legal provisions of the NPC Standing Committee's "Resolution."

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## ECONOMIC MANAGEMENT

### JILIN COMMENTARY ON DEALING BLOWS AT ECONOMIC CRIMES

SK271020 Changchun Jilin Provincial Service in Mandarin 1100 GMT 26 Aug 82

[Station commentary: "Leaders' Personal Attention Is the Key to Uncovering Big, Serious Cases"]

[Excerpt] The struggle against serious economic crimes is developing in depth in our provinces. A large number of serious economic criminals have fallen into the net of justice spread by the people.

(Zhang Yunfeng's) case and other economic cases which have been exposed have made it clear that the decadent capitalist ideology has contaminated the fighting body of our party, government offices and mass organizations. This shows that economic crimes present themselves in government offices and mass organizations as well as enterprises and establishments and other units engaged in economic activities. They say that government offices and mass organizations are "clear-water" yamens, where no offenses exist. (Zhang Yunfeng's) embezzlement case tells us that this kind of thinking is not tenable. The water in our "clear-water" yamens is not clear. It is extremely dangerous, and the consequences will be dreadful to contemplate if we do not investigate the government's economic crimes.

In particular, the status of party members and cadres of government offices and mass organizations made the economic crimes committed within them even more destructive. In recent years, some people in government offices, mass organizations, enterprises and establishments took advantage of their positions to seek private interests to engage in graft and blackmail. Some of them offered and accepted bribes and engaged in smuggling, speculation, windling and stealing the property of the state and the collectives. Viewed from different points, such criminal activities corroded the socialist economy and undermined the socialist foundation and have corroded and are corroding our ranks of cadres. They also damaged the reputation of the party, government and the state, poisoned the people's ideology, polluted the social mood, sabotaged the economic construction, hampered the correct implementation of policies on opening up to the outside world and enlivening the domestic economy and affected public security.

In such circumstances, if we are so insensitive as to allow the economic crimes to go unchecked, our state organizations will be corrupted, and the prospects for the socialist cause will be ruined. Only by gaining a clear understanding of this point will we make a strong resolution and great efforts to severely and promptly deal blows at serious criminal activities in the economic field.



## ECONOMIC MANAGEMENT

### GUIZHOU: COMMENTATOR ON INVESTIGATING MAJOR ECONOMIC CRIME

HK260954 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 24 Aug 82

[Station commentator's article: "Strengthen Leadership, Firmly Grasp the Work of Investigating and Handling Serious Economic Crimes"]

[Text] The recent exposure of a swindling case in Yuiyang City, involving Qien Hongcen and others, is another great victory in making breakthrough in cracking major and important criminal cases, by strengthening leadership and concentrating forces, since beginning the struggle against serious economic crimes in our province. The disclosure of the case to the public hits hard at the criminals committing economic crimes and inspires the fighting spirit of the masses, thus benefiting the development of the struggle.

The characteristic of this criminal case is that Qien Hongcen and others formed a clique to carry out swindling activities in the economic field. Taking advantage of young people's thirst for knowledge and in the name of establishing a Correspondence School of Esperanto, they issued many advertisements in many places in the country and obtained by deception several hundred thousand yuan in tuition fees for the correspondence course. After obtaining such a big sum of money, they spent without restraint and even secretly established some enterprises to engage in illegal businesses, such as long-distance trafficking, speculation and profiteering, and to make exorbitant profits. Moreover, they corrupted and drew some cadres and intellectuals over to their side. Qien Hongcen and his like knew nothing about Esperanto, and their establishment of the so-called "Correspondence School of Esperanto" was an out-and-out fraud. However, these men were trusted by some people and supported by some units and party-member cadres. Without distinguishing wheat from chaff, these units and responsible party-member cadres had confidence in Qien Hongcen and his like and gave free hand to them. This is really a lesson or bitter experience. This case again shows that the serious economic crimes have not only caused great economic losses to the people and the state, but have also played a role in political, ideological and moral corruption. Also, these criminal activities poison the people and harm the socialist construction of spiritual and material civilization. Therefore, we must keep sober-minded in this struggle which concerns the life and death of the party and country, and attach great importance to it. Only by grasping the work vigorously and speedily can we correctly carry out the party's various policies and guiding principles, further improve party style and public style and push forward our cause to proceed along the socialist road.

In the past half year, we have achieved initial victories in the struggle against serious economic crimes. However, these victories are far from the requirements put forth by the central authorities and the development is uneven in different areas. In particular, we have not grasped well the exposing and handling of major and important criminal cases, and have made slow progress in investigating, handling and settling those major and important cases already exposed. Also, we have failed to thoroughly expose the major and important cases in which some leading cadres were involved. It is, therefore, necessary to make a breakthrough in the major and important cases at present and particularly resolve the problems of the leaders' understanding and determination. It is hoped that all the areas and departments will earnestly check up and sum up the work over the past period, further raise our understanding, straighten out our attitude, enhance our vigour and be determined to grasp this struggle well. We are convinced that as long as the leaders take the matter seriously, concentrate forces, (?they) will make a breakthrough in the major and important cases and open up a new situation until there are complete victories in the struggle.

CSO: 4006/625

## FINANCE AND BANKING

### STRICT CONTROL OF TAX REDUCTION, TAX EXEMPTION STRESSED

Beijing CAIZHENG [FINANCE] in Chinese No 6, 5 Jun 82 pp 17-19

[Article by Han Shaochu [7281 4801 0443]: "For Earnest Implementation of Tax Policies and Strict Control of Tax Reductions and Exemptions"]

[Text] Tax reductions and exemptions are an important economic lever of taxation. If we use it correctly, it will help promote production and increase financial resources. Misusing it will impede economic development and disperse financial resources. The correct implementation of tax reduction and exemption policies and the strict control of tax reductions and exemptions must not be neglected in tax work.

1. Tax Reductions and Exemptions Are a Special Means of Tax and Adjustment Must Be Used in a Limited Way.

There are three aspects to the role of economic leverage played by taxation. 1) Determining what kinds of tax to levy and from whom to levy. 2) Determining the amounts, or rates, of the taxes to be levied. These two are incorporated into the tax codes and proclaimed and enforced by law, and remain relatively stable. 3) Tax reductions and exemptions, which are a special adjustment in the enforcement of the tax code due to special circumstances, and thus have certain flexibility.

The use of tax reductions and exemptions as a special tax adjustment is necessary because taxes and tax rates can only be determined on the basis of the general economic development and the social ability to pay taxes. They satisfy general requirements but cannot take into account each individual and special case. In real economic life, different economic units have different circumstances and varying abilities to pay taxes. There is a need for flexibility and adjustment in the general enforcement of the tax codes. Thus the practice of tax reductions and exemptions.

But tax reductions and exemptions must be used conditionally and with restraint. They should be used in specific cases, not applied generally. There are two reasons for this. First, commodity taxes themselves are an intension of commodity prices. As soon as the enterprise makes a sale, taxes are realized. The payment of taxes does not become an additional burden. Thus, unless due to special circumstances which make it difficult for enterprises to pay the

necessary taxes, tax reductions and exemptions cannot and should not be used. Secondly, tax reductions and exemptions let the taxpayer keep a part or all of the taxes to themselves, thus increasing the taxpayer's economic benefits, which benefits the economy. They are a special means to stimulate production. They must be used with restraint and for a limited period of time only. Enlarging the scope of reductions and exemptions without justification will not benefit the economy but will directly affect the national interest and the balance of the state financial accounts. Generally speaking, tax reductions and exemptions must be made on the following conditions:

First, they must have a clear purpose. They must be used to support state policies. Their ultimate justification lies in whether they accord with the direction of the socialist planned economy, whether they serve the overall interest of the country, whether they will help enhance society's economic benefits as a whole, whether they can attain a specific policy objective.

Secondly, they must be limited to carefully selected enterprises with a view to attaining a particular objective. Certain new enterprises should be favored, other new enterprises should not. The emphasis on selectivity is the key to implementation of the reduction and exemption policies. For those enterprises producing short-line products consistent with the readjustment policies and earmarked for expansion, tax reductions and exemptions may be used to help them out of their initial difficulties and gradually into normal production. In this case a temporary reduction of tax revenue will bring in more tax revenue in the long run. But for those enterprises producing long-line products inconsistent with the readjustment policies and having been set up blindly in pursuit of high profits, tax reductions and exemptions granted them because they are new enterprises will only result in more unnecessary productivity, longer lines of production, and more waste for the society. Likewise, granting tax reductions and exemptions to those commune-run enterprises which compete with more advanced enterprises in raw materials, energy sources and markets, will only help the small to squeeze the big, the backward to squeeze the advanced, and the collective to squeeze the state-owned. Thus the need for careful selection of enterprises to grant tax benefits.

Thirdly, they must be strictly controlled in scope. 1) Control over coverage. Generally, they can be used only on specific enterprises and specific business content. 2) Control over time. Generally, they should be granted only for a limited period of time, or in the form of a one-time reduction or exemption. 3) Control over amount. Besides controlling the total amount of taxes reduced or exempted, generally they should be stricter on high tax-rate products than on low tax-rate products.

Fourthly, they must be put under a strict system of review and approval. No one will be allowed to go beyond his authority to grant reductions and exemptions indiscriminately to the detriment of the national interest.

#### 5. Correcting Some Wrong Practices To Ensure Proper Implementation of the Tax Reduction and Exemption Policies

As a flexible, special means of adjustment, tax reductions and exemptions have contributed to the country's economic adjustment and enhanced the use of economic levers. But we must also note that with the increase of tax reductions

and exemptions some malpractices have emerged that are detrimental to the interest of the country as a whole because they disperse financial resources, impede economic development and affect the balance of the budget. These malpractices are mainly the following:

First, granting unconditional, uniform reductions and exemptions without making any selection. Some people make no distinctions among new enterprises, commune-run enterprises, and new products, and grant benefits to those they should not. Whether they mean well or not, the fact is they have caused duplication of efforts in construction, blindness in development and the decrease of state revenue.

Secondly, caring only for the local interest and using tax reductions and exemptions to develop local enterprises blindly. Some localities misinterpret the tax codes or over-extend their authority to grant tax benefits improperly, in hopes of setting up a complete system of local industries to benefit the locality only. Thus local enterprises multiply blindly, running contrary to the direction of the country's economic adjustment. In many localities we can see many competing enterprises are set up, such as small tobacco factories, small distilleries, small sugar refineries, small watch factories, small textile mills, small leather factories, small silk factories, small machinery works, and small electric fan factories. They duplicate each other's efforts and disrupt the planned economy, bringing havoc to the regular channels of distribution, causing over-production, over-stocked inventories and waste.

Thirdly, using tax reductions and exemptions to meet expenditures. This is done in several ways: 1) Using tax reductions to increase enterprise profits and the share of profits retained by the enterprises which will then be used as special-purpose funds for enterprises. 2) Using tax reductions and exemptions as welfare and reward funds for enterprises. 3) Using tax reductions and exemptions to make up for enterprise deficits. In some places the enterprises that incur the highest costs and deficits receive the largest tax reductions, and in other places enterprises are granted tax benefits to help them out of the red. Thus tax reductions and exemptions are used to cover up deficits and protect inefficiency.

Fourthly, using tax reductions and exemptions to increase the "private" resources of the local treasury. Some localities abuse their authority by turning tax reductions and exemptions into profits to reinforce local finances. This is in violation of financial regulations and detrimental to the interest of the country as a whole. It directly causes the dispersal of funds and affects the balance of the state budget.

All the malpractices must be corrected to ensure the correct implementation of tax reduction and exemption policies and protect the interest of the state from being eroded by the indiscriminate use of tax reductions and exemptions.

## Measures To Improve Tax Reduction and Exemption Work

In light of present circumstances, we should adopt the following measures to improve tax reduction and exemption work:

First, strengthen the macro-guidance over tax reduction and exemption work. To ensure correct implementation of the tax reduction and exemption policies, the adjustments must be brought in line with the macro-policies. Tax enforcement departments, viewing things from the departmental point of view, often do not grasp fully the country's macro-economic policies and plans. The leading organs and planning departments should give timely macro-guidance to the tax departments and learn the economic policies of the various periods and the directions of the country's economic adjustment, determine what should be assisted with the tax leverage and what should be restricted, determine what may seem to be "rational" from a local point of view but is irrational when looked at from the overall standpoint, and bring tax reductions and exemptions in line with the interest of the country as a whole.

Secondly, properly readjust the power of review and approval over tax reductions and exemptions. The present system of review and approval was formulated under the unified system of financial revenues and expenditures. Some practices are no longer suited to the new system whereby the enterprises are having more autonomy and financial authority is decentralized among several levels. To avoid adjusting the power of review and approval in such a way as to leave loopholes for dissipating financial resources, we should at the present time emphasize the importance of centralization and the inviolable nature of the interest of the country as a whole in making the adjustments. Issues such as what power should belong to the center and what power should be retained at the provincial level should be considered in the light of the new circumstances. We must resolutely correct the malpractice of decentralizing the power of review and approval through various administrative levels down to the lowest in disregard of the interest of the country as a whole.

Thirdly, resolutely check those who over-extend their authority to make indiscriminate grants of tax reductions and exemptions. To succeed in doing this, we must first of all strengthen the concept of legality, respect the right of enforcement of the tax departments, refrain from making administrative interference with the enforcement of the tax codes, refrain from using tax reductions and exemptions to enrich the local treasury at the expense of dissipating the country's resources. Secondly, the tax departments are specifically entrusted with tax reductions and exemptions; they must implement policies, monitor compliance, and refuse to grant benefits that run counter to the tax reduction and exemption policies and the interest of the country. They must resist and report all cases of over-extension of power to dissipate the country's financial resources. Thirdly, they should fix responsibilities and take necessary actions in regard to all acts of indiscriminate tax reductions and exemptions detrimental to the country's interest.

Fourthly, strengthen the management of tax reduction and exemption work. This consists mainly of the following: 1) Establishing a registration and statistics system to keep track of all the enterprises receiving tax reductions and exemptions as well as their reduction and exemption amounts. Tax departments should

not only grant reductions and exemptions but should also keep track of the amounts involved. 2) Thoroughly reviewing requests for reductions and exemptions before submitting them for approval, checking out the facts and making concrete suggestions. 3) Properly administering the taxes of enterprise units receiving reductions and exemptions, monitoring the changes in their production and management, making periodic checks on the increase or decrease of their tax reductions and exemptions. 4) Properly cancelling tax reductions and exemptions when they expire. Some enterprise units need to have reductions and exemptions cancelled due to a change of circumstances after they have been granted such benefits. The tax departments should report such cases promptly to the higher authorities and submit their own suggestions. Special accounts should be set up for taxes reduced and exempted from the enterprises receiving such benefits so that the accounts they keep could show their profits or losses accurately.

Fifthly, continue to check the enterprises receiving reductions and exemptions against policies. All reductions and exemptions running contrary to the direction of the country's readjustment or granted by tax departments going beyond their authority should be reported to higher authorities for re-examination and be suspended when the higher authorities so direct.



## FINANCE AND BANKING

### BRIEFS

HUNAN SAVINGS--By the end of July, urban savings in Hunan Province had exceeded 1 billion yuan and were 28.5 percent more than in the corresponding period of last year. The per capita average savings in urban areas in the province was 149 yuan. In the same period, rural savings in the province had amounted to some 855 million yuan and were some 150 million yuan more than at the end of last year. The per capita average savings in rural areas in the province was 18.68 yuan. The amount of urban savings over the last 3 years exceeded the total amount of savings from 1949 to 1978 and the amount of rural savings over the last 3 years was 280 percent more than in the past 30 years. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 19 Aug 82 HK]

CS0: 4006/626

## MINERAL RESOURCES

### BRIEFS

SHANDONG GOLD PRODUCTION--Since the third plenary session, gold production has developed steadily in Shandong Province. Our province leads the country in annual gold output and gold reserve. In recent years the province has built many mechanized gold mines with state investment. At present, there are five state-owned gold mines with a capacity of processing 500 ton of ore daily. Seven country-run gold mines with a daily capacity of processing 100 to 150 tons of ore and 18 mines run by county, commune and brigade authorities with a daily capacity of 25 to 50 tons of ore. The province has a combined capacity of processing 4,300 tons of ore daily. The annual gold output is more than 200,000 liang. In addition to that, there are 12,000 persons engaged in extracting gold who contribute an annual gold output of about 100,000 liang. [SK010232 Jinan Shandong Provincial Service in Mandarin 2000 GMT 30 Aug 82 SK]

XINJIANG GOLD OUTPUT--By the end of July, Xinjiang region had overfulfilled its quota for gold production for the whole year, 5 months ahead of schedule. The amount of gold extracted was 69 percent more than in the corresponding period last year. Since the beginning of this year, all places in the region have seriously summed up their experiences in gold production, established the production responsibility system and put the system on a sound basis. They have also formulated some regulations on rewards which meet the local needs in developing gold extraction by the masses, to arouse the masses' enthusiasm for gold extraction. Changji Hui Autonomous Prefecture fulfilled its quota for gold extraction for the whole year 7 months ahead of schedule. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 20 Aug 82 HK]

CSO: 4006/626

## INDUSTRY

### INDUSTRY SCORES SUCCESSES ON EVE OF CPC CONGRESS

OW261404 Beijing XINHUA in English 1256 GMT 26 Aug 82

[Text] Beijing, 26 August (XINHUA)--Increasing news of industrial achievements in construction and production is pouring in as the 12th national congress of the Chinese Communist Party is drawing near.

China's largest hydro-electric power project at Gezhouba, for example, has been stepped up since news of the 12th party congress convocation was announced. Plant officials said many of the subprojects have moved ahead of schedule. The fourth power generating unit with a capacity of 120,000 kilowatts was started for trial-run and will be soon put into operation.

The convocation of the party congress on 1 September is a source of great encouragement, said Zhu Yazhen, a spinner at the Beijing No 2 cotton mill and a model worker for Beijing.

"We workers have been greatly motivated by the institution of the job responsibility system and we see conspicuous changes since 1979 when the third plenary session of the 11th party Central Committee was held. We are all looking forward to seeing a powerful and prosperous country and we feel we have something to strive for," she told XINHUA in an interview.

Wang Zuquan, an engineer at the Designing Research Institute of the capital iron and steel complex, has worked out the design for transforming the No 2 blast furnace of the iron works. This has raised daily output of the blast furnace from 590 tons to        tons and will save two million kwh of electricity a year.

When he and his colleagues heard the news that the party congress will be held, they completed in 10 days the testing and calculation work for the blast furnace that would have normally required one month.

The 44-year-old engineer said: "My one predominant thought at present is how to make up for the time lost in the cultural revolution and contribute my best to the country's modernization."

In the north China port city of Tianjin, the "flying pigeon" brand bicycle factory recently set a record of turning out 7,600 bicycles a day to keep up with fast-growing purchasing power of the workers and peasants.

In remote Qinghai Province, the workers have accelerated the tempo of the construction of China's largest potash fertilizer plant.

CSO: 4020/166

## INDUSTRY

### LIAOWANG'ON BAOSHAN STEEL COMPLEX

HK081449 Beijing LIAOWANG in Chinese No 7, 20 Jul 82 pp 13-16

[Article by LIAOWANG reporter Zhou Yongkang [0719 3057 1660]: "Baoshan Steel Complex Today and Tomorrow"]

[Text] Dear readers, you must be very anxious to learn about the situation and development of Shanghai's Baoshan Steel complex, which is a very large project attracting worldwide attention. It is true that more than 3 years have passed since the first steel support was driven into the ground at the complex in 1978. In these over 1,200 days and nights, all that has been taking place has tugged at the heartstrings of the people of the whole nation and has aroused great interest among the relevant persons abroad. The article I am writing aims at presenting a report to the readers about the complex's today and tomorrow.

After this year's "1 May," I once again drove to the site of the complex in Shanghai's northern suburbs. What came into view was an embryonic form of a modern steel complex: The No 1 Blast Furnace, with a large volume of 4,000 cubic meters, has been constructed to a height of 80 meters, leaving a little over 30 meters to go before reaching its highest point. Installations such as the gas cleansing unit, the water treatment unit and the crusher surround this steel giant which is rare in the world. Opposite this blast furnace is a steel plant where 3 heavy-duty converters, which are 10 times as large as the converters currently used in Shanghai, are waiting to be installed in the large workshops, which have reddish-brown walls. The overhead moving crane which can lift a weight of over 400 tons, has been mounted on the roof trusses. Already completed is the preliminary rolling plant, with its verdant steel structures stretching a kilometer in length. Two preliminary rollers four stories high stand erect like twin brothers on the solid and firm foundation. The power plant farther away present yet another magnificent scene. In the big chimney, which is 200 meters high, some hardly discernible smoke is floating. A strong current is transmitted to various factories and rural areas in east China in a continuous flow. The seemingly never-ending conveyer belts, which provide the necessary "food" to the power plant, first transport the coal from the materials piers by the Yangzi River to the broad coal yard and, then, according to the needs of the power plant, feed the coal into the big belly of the large boiler, 20 stories high....

The comrades in the complex have provided me with a series of splendid figures. In the past 3 years and more, over 20,000 steel supports have been driven into the ground at the site of the complex, more than 1.4 million cubic meters of concrete have been transported to the site and 53 percent of the overall installed area of the structures has been completed.

The change in the complex makes one excited and gives encouragement and, at the same time, makes me reminisce about the extraordinary experience surrounding the complex over all these years.

There has been much talk and criticism concerning the complex for more than 3 years, and the focus of the dispute has been the problem of how to regard the project, which has consumed a huge amount of money. Li Feiping, the chief director of the complex's project headquarters, has furnished me with the situation and details of a meeting which was convened by the state council and which studied and reviewed the conditions of the construction of the project. He said that the CPC and the state council are determined to carry on this project well. From the point of the construction of the project itself, the work has been in good shape, but that does not necessarily mean that the original decision to start the project was correct. A leading comrade of the state council pointed out in the meeting that the decision to start this project was not well planned strategically and was wrong.

Facts have proved this statement true. As for our country's construction in an effort to achieve modernization, it is absolutely necessary to build such a giant steel complex as the one in Baoshan. After 30 years of development, our metallurgical industry was only able to produce 30 million tons of steel in 1978, which was hardly able to satisfy the needs for the development of various enterprises, and the state had to spend hundreds of millions of U.S. dollars each year to import various kinds of steel. Obviously, it would be better to spend more foreign currency to buy a "hen" to lay "eggs" than to use a large amount of foreign currency to buy the "eggs." However, wishful thinking is one thing and objective reality is another. When the construction of the complex was discussed in Shanghai in 1977, the national economy, verging on the brink of bankruptcy after 10 years of turmoil, had not recovered completely. There were many things that the state had to pay for. The idea to complete this large and money-consuming project within a short period was incompatible with the objective reality of the state's financial base at that time. It was against the principle of acting in accordance with capability.

People may raise the question that since the construction of the complex goes beyond the permissible limit of objective reality, on what grounds should we carry on the operation, without stopping it altogether? In order to offer an answer to this question, we have to talk about the active role played by the complex's consultative committee in studying and deciding the question of whether construction of the Baoshan Steel complex should continue.

The consultative committee of the Baoshan Steel complex, an organization known as "the brain trust," was set up 1 year after the start of the project. For such a large project as the complex, normally before making the strategic decisions, opinions and ideas from various sectors, particularly the views and

...the experts and professors, would have been gathered and the advantages and disadvantages analyzed. But nothing had been done in this respect. As a result, after the start of the operation, lots of problems which had been underestimated or had not been considered at all, surged forward before the working personnel. Therefore, at the end of 1979, the complex's project headquarters had to invite more than 20 experts and professors to the complex and appoint them as consultants.

At the beginning of last year, the relevant departmental party committee of the state council organized the experts and professors in the consultative committee to hold earnest and serious discussions on the problem of whether construction work on the Baoshan Steel complex should be completely stopped during the adjustment period of the national economy. The experts and professors generally expressed the opinion that, without any previous study of the feasibility of the project, a rash decision had been made on the construction of the complex, which led to the present state of affairs. Now, we should not make the decision to, first, stop construction and, then, let the broad masses expound upon and prove its fitness. Thorough discussions and expositions should precede the making of any decision on the prospects of the complex. So, the consultants went to the site, went over a large amount of data, listened to explanations and gathered different kinds of opinions and suggestions. They discovered the problems that if construction of the complex were to stop, some of the already signed contracts for foreign equipment would have to be cancelled and the state would sustain great economic loss, and that a large quantity of imported equipment would have to be stored in warehouses, which would cost a lot of money. After intensive discussions and comparisons, the 20-odd experts and professors of the consultative committee finally and seriously signed their names to a report. This collectively signed report put forward three principles: 1) Baoshan Steel complex should not be discussed from the viewpoint of itself alone; it should be discussed from the viewpoint of the overall situation of our country. 2) The complex should not be discussed from the "zero" beginning but should be discussed from the existing practical situation. 3) Not only should we "see the problem of money," but we should also "see the prospects." The opinions of the consultants were centered on one point--that the complex would start not from zero, but from the 10.3 billion yuan that had been invested and would have been invested. In the past, construction had been carried out rashly and had deviated from the practical situation; today, the reality should be faced with a matter-of-fact spirit, taking into full consideration the gains and losses of the problem of whether to continue or stop construction of the complex. Based on this spirit, the consultants put forward the following ideas: evade the (investment) height, broaden the financial sources, look for new sources of capital, practice diversified operations, open up new financial channels and economize expenditures, go into operation in different batches and periods in order to get the best results, and so on and so forth. Soon afterward, premier of the state council Zhao Ziyang evaluated the opinions of various sectors, including those of the consultants, and personally came to the complex to make observations and investigations. In August last year, the state council finally made the important decision to continue the construction of the Baoshan Steel complex.



the consultative committee of the complex not only played an excellent role in giving advice on the policy of building the complex, but also acted as a "staunch rear area" in providing expertise to solve some important engineering and technological problems. These experts and professors, who came from various fields of metallurgy, civil engineering, machinery, automatic apparatus, environmental preservation and economics, were mostly the authorities in these fields and were leading members of many a specialized association in Shanghai. When the complex was confronted with new problems, more experts and professors were invited to take part in the discussions. As a matter of fact, a very large "network of consultants" came into being, with the complex as the center. In the summer of 1980, the consultants of the complex fought a brilliant and "hard battle" in solving a very important but difficult problem which caught the attention of the whole country. At that time, there suddenly occurred on some of the project ground areas the phenomenon of a displacement in the levels of the steel supports. Everyone was shocked at the news. Some even deliberately exaggerated the fact and said that because the supports had been driven into a kind of soft ground, the complex would soon collapse and slide into the Yangzi. At this critical moment Li Guohao, the chief consultant of the consultative committee and the president of Tongji University, came to the site of the complex together with over a dozen building engineering experts. Having investigated the conditions of the supports' ground displacement, they put forward an opinion with assurance: "Further tests need to be made before any formal conclusion on the problem of the supports' ground displacement can be reached. We should note that this is in no way the first occurrence of this kind of displacement on the soft ground stratum in Shanghai. The problem can surely be resolved if appropriate measures are taken." Giving up their rest periods, the consultants--who had hair greying at the temples--actively discussed the problem for 2 consecutive days.

Li Guohao, already 70 years old, after attending the report-back meeting, worked until 0200 in his room at the guest house of the complex. He discovered that the plan for solving the problem, with the related calculations, conclusions and measures put forward by the Japanese side, was insufficient on a theoretical basis, incomprehensive in calculations and not sound enough from the viewpoint of mechanics. That night, he made a series of new and exact calculations. On the following day, he talked for 2 whole hours when introducing his methods of calculation. In accordance with his and other experts' suggestions, plus many ensuing tests in an effort to control the supports' ground displacement, the project headquarters of the complex at last overcame this serious difficulty. One day, when Li Guohao was having his meal in the dining hall of the complex, he came across a leading comrade of the project headquarters. He said: Please convey to the CPC that the problem of the supports' ground displacement can surely be solved. Please ask them to set their minds at ease."

The old scientist asked the CPC to be at ease, which in effect meant that he asked the people of the country to be at ease. In today's Baoshan Steel complex, with such a batch of experts and professors possessing very rich experience and loyal to the cause of the people, devoting all their time and energy to this super-large project and putting forward numerous useful plans and measures, can there still be any insoluble technological problems which are even more difficult than the present displacement problem? Furthermore, at the site of the complex today, the number of people who are very much concerned with the project is much greater than this batch of experts and professors. Seventy thousand workers from all over the country are also striving with concerted effort for the best results in the construction of the complex. In the past

...thousands of visitors have come to the complex and have seen with their own eyes that the projects have been completed with a high standard one after the other. They have a strong impression that in spite of the fact that the complex's construction was initiated somewhat rashly, the builders of the complex have been very earnest and serious about the project. Nearly every construction unit here proudly raised the slogan: "Reaching the standard of acceptance is not a pass; reaching the standard of excellence is indeed a pass." Of course, those engineering projects which reached the standard of acceptance were inspected, checked and granted certificates of acceptance. But the demanding high standards they set for themselves in their work virtually reflected their strong desire to build the Baoshan Steel complex into a first-rate project.

Now let us have a look at the strenuous efforts exerted by the 6,000-odd staff and workers of the 5th metallurgical construction company under the Ministry of Metallurgy in their undertaking of the task of building the coking plant. The comrades of the "5th company" soberly recognized that once the heavy-duty coking oven--which was the most advanced throughout the country--went into operation, it would have to be used until the time of its general overhaul without any interim stoppages. By overhaul they meant that the old bricks were to be taken out and new bricks installed. If attention should be paid to the quality of laying bricks, then the oven's life might be prolonged from the normal 20 years to 25 or even 30 years. What a great economic effect it would achieve! But the refractory materials to be used in building the oven, according to the Japanese design, were rather peculiar in shape. In order to minimize the leakage of air, the refractory bricks had more than 1,300 different shapes, 1,000 more than those currently used in this country. The weight of the bricks was also different--the maximum being over 50 kg and the minimum 14 kg. There were 99 layers in all for the whole hearth. Even if one of the layers was not tight and compact enough, the life of the oven would be adversely affected. Confronted with this arduous task, never experienced in the past 30 years, the comrades of the "5th company" checked every brick one by one, 1.6 million in number, and picked out all the refractory bricks which were beyond the tolerances allowed. They even carefully examined every brick seam of all 99 layers and relaid the rows whenever they discovered bubbles or seam defects. Those who had seen their seriousness in laying the bricks could not refrain from saying admiringly: They are not doing the work of brick-laying; they are simply doing "embroidery work!" Now the comrades of the "5th company" have completed the construction of the first cooking oven. After strict inspection, the Ministry of Metallurgy has decided to confer upon them the title of "all-round excellent project."

Now let us turn to another scene and see in what spirit the staff and workers of the Shanghai civil engineering bureau treated the construction of the Baoshan Steel complex. In the steel plant, the foundation of the converter--for which the bureau was responsible--was just like a giant raft, on which were to be built three big converters with a capacity of 300 tons each, plus other related equipment and workshop pillars to keep in balance the various portions of the structure. But let us take a look at the specifications of this concrete foundation: Length--90.8 meters; width--31.3 meters; thickness--2.5 meters; total volume amounting to more than 6,900 cubic meters. For such a giant structure, the design of the Japanese demanded that it be divided into two parts

and that each part, in turn, be divided into three sections, so that six pourings, or at least three pourings, would be needed. Otherwise, the heat released in cooling would be hard to disperse and cracks would appear, thus affecting the quality of the structure. But what the comrades of the construction bureau considered was not "dissolving the whole into parts." What occupied their minds was to further raise the quality. Therefore, they proposed a plan for pouring the whole foundation at one time. To this proposal the personnel on the Japanese side gave no explicit response. They only said: "We have never done this in Japan. If you are sure of success, then go on. We have no comment." What was implied in their attitude was that they would not shoulder any responsibility if anything went wrong. The comrades of the bureau did not make light of the job. Having made sufficient preparations and with the active assistance of the experts of the metallurgical construction research institute, within 28 hours they poured nearly 7,000 cubic meters of concrete into the cobweb-like reinforcing rods at one time, 20 hours ahead of the originally scheduled time. This was followed by strict inspection, with the result that no conspicuous cracks were discovered, and even the standard rate of the degree of levelling and perpendicularity of this large foundation reached over 98 percent. The Japanese personnel saw for the first time the success of this one-time pouring for such a large structure and were considerably surprised. Time and again they inquired about the secret of this successful operation.

The brick-laying for the oven and the pouring of the foundation for the converter are but some of the typical examples of the excellent projects in the construction of the complex. Because of the concerted efforts of the builders of the complex, the standard acceptance rate for the quality of the complex's projects is unprecedented in the history of our capital construction.

The comrades of the "5th company" also told the reporter meaningfully: The good quality achieved in the construction of the complex should be viewed from an angle more comprehensive than the project itself. That was absolutely true. During the 10 years of turmoil, many building units of our construction department, just like many other trades, suffered from serious interference and destruction in management work, the ideology of the staff and workers was in a confused state and there was no such thing as talking about the quality of the construction work. Therefore, it was with the intention of building the Baoshan Steel complex as well as of reorganizing and tempering the working ranks that many of the building units came to the site. As for the "5th company," it has fought "a battle of emancipation" and has attained an excellent result, which had not been seen in the past 10-odd years. At the same time, a large batch of advanced workers has emerged. This situation has appeared not only in the "5th company," but also in many other building units. It is no wonder that some Japanese experts make the comment: It is just like playing a ball game. The Chinese side has sent its "national team" to participate in the contest, and this team has highly capable and skillful players. Of course, this is only a figure of speech. From an all-round point of view, the Japanese side does have many things which are more advanced and should be learned by us, but we should in no way look down upon ourselves and regard all of our things as inferior and backward. Numerous facts in the last 3 years have proved this truth time and again.

In a few years, people have shown concern about this problem: the complex's projects is indeed up to standard, but once it is completed, can its normal operation be guaranteed? This apprehension is not without reason. The Baoshan Steel complex is a modern steel complex in which is concentrated many sophisticated techniques and expertise of the late 1970's in the world in the field of metallurgical industry. Take only the first phase of the construction, for instance. There are 17 large electronic computers distributed among different branches of material, sintering, coking, iron smelting, steel-making, preliminary rolling and seamless steel pipes, with some of the machines forming a computer network. Various kinds of automatic apparatuses, large and small, number more than 30,000 pieces or sets. In the future, when the complex is completed, it will still need a great quantity of spare parts and components so that production can proceed normally. There are over 1,000 different items of materials and subsidiary materials, each item having a number of model variations. Take only, for instance, the paper used by different kinds of electronic computers and automatic apparatuses: there are over 50 varieties altogether. All this preparation work for production started as early as 1980 and has progressed since then together with the course of the capital construction.

Over 2,400 technical personnel are browsing over scores of tons of reference data and material with the intention of absorbing the advanced technology initiated abroad.

More than 9,000 young workers have been sent to different steel plants and ports for training in accordance with the needs of different categories of work.

There are batch after batch of engineering and technical personnel and workers who will study abroad, some ready to set out and some coming back after completing their courses.

More than 60 purchasing personnel of the Baoshan Steel complex, whose task is to make material preparations for the forthcoming operation of the first phase project, often go day and night, by sea or by land, to various regions such as Liaoning, Anhui, Jiangxi, Zhejiang and Hunan. Up to the present, with respect to the 1,700 different kinds of materials, fuel and subsidiary materials, 83 per cent of them have been assured of supply from within the country.

Many other factories in Liaoning, Jiangsu, Shandong, Hubei and Shanghai have also sent their representatives to the Baoshan Steel complex so that they can undertake the task of producing large quantities of spare parts and components.

[Continued from page 15 published]

On the eve of this year's "1 May," the first generator unit of the complex's electric plant went into full-load trial operation. Also going into operation were the piers and the equipment of the material center and the energy center, which service the generation of electricity and the network connection. In the main control room of the electric plant, everyone intensively watched each action of the duty supervisor. After several no-load trial operations, when the hands of the clock pointed to 1131, the first strong current generated by

The generator set at once connected smoothly with the electric network of east Shanghai. At this moment, the crowd applauded warmly. At the end of May, when this new generator set celebrated its "one month old," it had already produced over 80 million watts of electricity. Beginning in June, this set began to operate at full-load capacity. At present, the second generator set, with the same capacity, is in the installation stage. With the experience gain in the installation of the first set, the speed of the second set has been much faster. When the two sets go into operation next spring, this thermal power plant, which at present is the largest and the most advanced, will earn a profit of 50 million yuan a year. Furthermore, generating the same amount of electricity, this power plant can save over 700,000 tons of coal compared with the conventional power plants in our country.

The generation of electricity in the complex and the connection to the electric network marks the fact that the construction of the complex has begun to give forth economic results. It also tells people: The Chinese workers and technical personnel have the confidence to build the complex well today; they then will have the ability to manage the complex well tomorrow.

In the days of my visit to the complex, many comrades asked me time and again to report to our readers the situation surrounding the complex in a matter-of-fact and most appropriate manner. The achievement of the complex's construction over the past several years is not to be negated, but the mistakes and errors in the course of construction are not to be slighted either. In order to be "fast," many pieces of equipment which should not be imported have been introduced into the country; in order to be "foreign," many items which can be delayed have been put on the agenda. During this period, the broad mass of builders have done their best to practice economy and have saved a total of over 100 million yuan of investment money, but instances of squander and waste can be cited without difficulty. All this, after these years of vicissitude, has been gradually overcome or corrected and lessons have been learned. At present, there are still many difficulties and problems pending solution with their efforts and energy. At the same time, I have also discovered that some problems, which have been talked about among the masses in these years, are not so serious or worth worrying about as prevalently supposed. Zhi Erpei, the secretary of the part committee of the main factory of the complex, is a representative of the NPC. In December last year, in a speech at the fourth session of the fifth NPC, he answered three questions raised by the representatives. The first involved ore supplies for the complex. He told the representatives: As early as 1975, large quantities of iron ore were imported into this country. After the completion of the first phase construction of the complex and the beginning of production, the ores to be imported in the immediate future will be only half as much as those imported at present. The steel made with the imported material will be rolled into finished goods to replace the imported steel. By doing this, the saving of foreign currency each year will be much greater than the money used to import the iron ore, which means a very good bargain. The second question concerned the environmental pollution of the complex, which has caused concern among the people of Shanghai. He said that according to the results of tests on the 150-meter-high chimney of the Jinshan petrochemical complex, the maximum radius of fumes reaching the ground is about 5 kilometers. The fumes exhausted by the 200-meter-high chimney of the complex's

power plant will not exceed a radius of 10 kilometers, only about 1/2 the distance from the complex to the city proper. Therefore, the fumes can in no way reach the densely populated downtown area. But the third question--the economic gains of the Baoshan Steel complex attracted the close attention of the representatives when Zhu Erpei enumerated the figures. It was because the net profits per year of the first phase construction, even after its completion with the design requirements attained, would only amount to several hundred million yuan, which would include taxes and the depreciation of equipment. On the other hand, our need of steel plates and steel products will continue to increase, thus necessitating the importation of large quantities of these products. Take only thin steel sheets for instance. Over 5 million tons were imported during 1979-80 at a cost of U.S. \$1.8 billion. But the first phase construction of the complex cannot solve this problem. It is because, according to the original plan, only after the completion of the second phase construction can the complex provide about 3 million tons of hot-rolled and cold-rolled steel sheets, plus 0.7 million tons of hot-rolled medium-sized steel plates. The yearly net profits of the complex will be raised seven times those provided by the first phase construction and we will be basically self-sufficient in the thin steel sheets and band steel needed in our country. From this point, Zhu Erpei holds that whether from the angle of the macroeconomic effects or from the angle of our country's needs regarding steel products, it is very necessary to plan and make preparations in a timely manner for the second phase construction, which should comprise the construction of the hot-rolled and cold-rolled facilities.

It is true that our work in the past did have mistakes and errors. But today, if we follow the matter-of-fact spirit which has been advocated by the CPC, we are certain that we can build the Baoshan Steel complex well. It can be predicted that the Baoshan Steel complex will have a very bright future.



## INDUSTRY

### MACHINE BUILDING INDUSTRY PROVIDES MORE SERVICES

06281401 Beijing XINHUA in English 1231 GMT 28 Aug 82

[Text] Beijing, 28 August (XINHUA)-- China's machine building industry is now providing a wider range of services to the national economy than ever before, according to the Ministry of Machine Building Industry. This enabled it to increase its total output value to 23,100 million yuan in the first 7 months of this year, 13 percent more over the same period of last year.

In widening the scope of its services, the industry has been able to pick up speed in its development, although last year its production declined.

In addition to heavy industrial machines which are its conventional products, the machine building industry has, since the beginning of this year, turned out large numbers of machines for making bicycles and sewing machines, paper making equipment and canning and dairy product processing machinery. Also included were packaging, animal and poultry slaughtering and plastics processing machines.

The industry has also produced large numbers of machine tools, instruments and meters and energy-saving devices required for the technical transformation of industrial enterprises.

The machine building industry has widened the scope of its services in line with the policies of the current economic readjustment which puts emphasis on agriculture and light industry while slowing down the growth of heavy industry. Greater importance is now being attached to the technical upgrading of existing enterprises.

Complete figures indicate that in the last 3 years the machine building industry has manufactured on a trial basis 1,863 different kinds of special equipment in 32 major categories for light and textile industries, food production, agriculture commerce, municipal construction and environmental protection. The industry has also trial-produced 39 kinds of household electrical appliances.

The output value of these products accounted for 6.4 percent of the total output value of the machine building industry in the first half of this year compared with 4.3 percent in 1980.



In addition, the industry has provided 160 kinds of monitoring, controlling and metering devices and instruments for the technical transformation of the light, textile and food processing industries. These include temperature and humidity control devices for grain stores, automatic control devices for fermentation and sterilization processes, and meters for controlling temperatures in ceramic and glass furnaces.

Over the past 3 years, the machine building industry has designed, trial produced and upgraded more than 100 kinds of products such as industrial boilers, wind blowers, pumps, transformers, motors, compressors, motor vehicles and tractors to conserve energy. Some of the products have been mass produced.

The state appropriated 118 million yuan between 1979 and 1981 for replacing and remodeling 6,900 boilers and this resulted in a saving of 2.18 million tons of coal in 1980 and 1981.

CSO: 4010/14

## INDUSTRY

### BRIEFS

**TIANJIN METALLURGICAL INDUSTRIAL ACHIEVEMENTS**--From 1979 to 1981, the Tianjin Municipal Metallurgical Bureau scored a 6,800 yuan increase in profits each year over the 1978 figure. From January to July this year, the bureau scored 164.52 million yuan of profits, a 9.5 percent increase over the figure of the corresponding 1981 period and a 1.66 percent increase in output value.

[SK200328 Tianjin City Service in Mandarin 1430 GMT 19 Aug 82 SK]

**TIANJIN MACHINERY SALES**--After improving product quality, the Tianjin First Machine Building Bureau has improved production, reduced the amount of stockpiled goods and enjoyed good sales. Enterprises under this bureau, so far, have set up some 2,000 selling centers in 26 provinces, municipalities and regions. The sales volume of these selling centers reached 78 million yuan in 1981. By the end of June 1982, the volume of goods ordered accounted for 89 percent of the annual projected goods-ordering plan or 88 percent of the production plan, showing an increase of 17 percent over the corresponding 1981 period. The amount of stockpiled goods declined by 9 percent. [SK020433 Tianjin City Service in Mandarin 1430 GMT 1 Sep 82 SK]

**GUANGDONG LIGHT INDUSTRY DEVELOPS**--The total value of output of products, including bicycles, sewing machines, watches, cane sugar, beer, aerated water and foodstuffs, of the first light industrial system in Guangdong Province in 1981 was 27 percent more than 3 years ago, and total exports increased by 40 percent. The total value of output of products such as washing machines, refrigerators, electric rice pots, plastic products, garments and artistic handicraft articles of the second light industrial system over the past 3 years has increased by an average of some 13 percent per year. The total amount of exports over the past 3 years has increased by an average of some 20 percent per year. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 6 Sep 82 HK]

## CONSTRUCTION

### SHANGHAI MEETING ON HOUSING CONSTRUCTION HELD

OW 71740 Beijing XINHUA in English 1557 GMT 27 Aug 82

[Text] Shanghai, 27 August (XINHUA)--More than 1.1 million Shanghai residents moved into new apartments from 1977 to 1981, and construction of new housing for another 300,000 is scheduled to be completed this year.

Mayor Wang Daohan made the announcement at a municipal meeting on housing which started yesterday.

Shanghai, China's biggest city and industrial center, has a population of more than 10 million, and its population density in the city proper is well over 40,000 persons per square kilometer.

Between 1977 and 1981, Mayor Wang said, apartments totaling 11 million square meters in floor space were constructed, accounting for 42 percent of the total for the 32 years from 1950--the first year after liberation--to 1981. Most of the new housing is in the suburbs.

Apartments built for ordinary people mostly have two to three rooms. The 12 new residential estates in the suburbs are complete with shops, schools, hospitals and other facilities.

Eleven apartment buildings with special conveniences have been or are being built for people holding high academic or official titles, returned overseas Chinese and families of overseas Chinese and influential members of China's democratic parties and non-party democrats. These total 90,000 square meters in floor space.

Yesterday's meeting was the first ever held in Shanghai devoted to housing construction. Mayor Wang told the participants--mostly leading officials--that much still needed to be done before the housing shortage could be improved.

From 60,000 to 70,000 young couples are waiting for apartments to get married, he said. "How to help them," he added, "is still a problem confronting us."

## CONSTRUCTION

### BRIEFS

**GUANGDONG COMMENDS CONSTRUCTION ENTERPRISES**--This afternoon, the Guangdong Provincial People's Government conferred titles on a large number of advanced construction enterprises, advanced collectives and model workers to commend them. They are 7 advanced construction enterprises, including the Second Guangzhou Municipal Construction Company; 19 advanced construction collectives, including the No. 401 Construction team of the Fourth Provincial Construction Company; and 14 model workers, including (Wu Lihe), an engineer of the First Provincial Construction Company. They were assessed by the Provincial Congress of Advanced Construction Enterprises which was recently held. This afternoon, the Governor Liu Junjie attended the closing ceremony of the Provincial Congress of Advanced Construction Enterprises and awarded banners, citations and medals to the advanced enterprises, collectives and model workers. Qin Shengrong, vice chairman of the Provincial Federation of Trade Unions, delivered the closing speech. [Guangzhou Guangdong Provincial Service in Mandarin 1982 Aug 13 Aug 82 HK]

**GUANGDONG CONSTRUCTION INVESTMENT**--During the last few years, large parts of our province's funds and a considerable portion of collective welfare funds have been invested in the construction of staff and workers housing. At the same time, residents were encouraged to privately build houses. All this has resulted in a great increase in the housing construction. In the last 3 years, the total investment by the municipality (including central government and provincial units in this municipality) in housing construction amounted to 590 million yuan, which is 10 percent of all investments and 2.1 times the amount invested during the period from 1966 to 1977. Altogether, the construction of residential housing in cities and towns covered an area of 3,827,700 square meters (this includes over 310 million yuan of housing construction investment by units of the municipality, over 1.97 million square meters of housing having been constructed, and over 485,000 square meters of privately built housing during the period 1978-1981, 1.07 times the area of housing built in the 12 years from 1966 to 1977. At the end of 1981, the average housing occupied by our province's residents was 4.23 square meters per person, which is an increase of 1.41 square meters compared with the 1978 average of 3.82 square meters. Of course, crowding in people's housing is still very conspicuous, and there are still problems in the allotment sector. To solve the problems we must still make great efforts. [Text] [GUANGZHOU RIBAO in Chinese 25 May 82 p 11 9808]

YUNNAN RADIO ON PROVINCIAL PRICING WORK CONFERENCE

15310548 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 30 Aug 82

[Text] In light of the price situation in our province, the Provincial Pricing Work Conference recently held in Kunming studied and made arrangements for the various tasks that should be handled well at the present moment.

The conference pointed out that since the beginning of this year, the CPC Committees and people's governments at various levels in our province have strengthened their leadership over pricing work and, by strictly controlling the prices of commodities of different categories, achieved the task of basically stabilizing market prices. However, due to the excessive amount of currency in circulation and the relatively strong purchasing power of the urban and rural residents, the short supply of some commodities has not been fundamentally changed. Factors unfavorable for the stability of market prices still exist. In order to stabilize market prices, there is still a lot of work to be done.

The conference pointed out that in light of the actual conditions in our province, it is necessary for us to pay particular attention to the following tasks:

1. Efforts should be made to continue to implement the circulars of the State Council and the Provincial People's Government on resolutely stabilizing market prices in order to maintain the basic stability of retail prices.

2. It is necessary to conscientiously implement the guidelines of the Provincial CPC Committee's directives and continue to do a good job in the price inspection work. From now to National Day, the various units should carry out the inspection work themselves; from October to the Spring Festival next year, we shall organize people to carry out price inspection work on the provincial level in order to correct in real earnest the erroneous actions of raising prices without authorization or raising prices in disguised form.

3. The provisional regulations on pricing management recently issued by the State Council are important laws and regulations on pricing work. The implementation of these regulations is of great importance to the correct implementation of the state's pricing principle, policies and regulations, the improvement of the level of pricing management and the enforcement of pricing discipline. The price regulating departments and the departments in charge of pricing work in various localities and the various enterprises and establishments concerned should organize the staff and workers to conscientiously carry out and earnestly implement these regulations.

## DOMESTIC TRADE

### GUANGDONG ISSUES PROVISIONAL REGULATIONS ON PRICE MANAGEMENT

Guangzhou GUANGZHOU RIBAO in Chinese 25 Jun 82 p 2

[Notice: "Guangdong Provisional Regulations on Price Management"]

#### [Text] CHAPTER I: GENERAL REGULATIONS

Article 1. These provisional regulations are specially established in accordance with related state laws and orders for the purpose of strengthening price management; thoroughly carrying out the policy on the basic stabilization of market prices; stabilizing people's livelihood; maintaining and protecting the economic benefits of the state and of the producers, operators, and consumers during the exchange of commercial goods; promoting production development; expanding circulation of commercial goods, and creating a lively economy.

Article 2. Based on the principle of treating planned economy as the primary consideration and market adjustment as the supporting consideration, price management is to be carried out based primarily on the fixed prices of the state, supported by multiple forms of pricing, such as floating prices, negotiated prices, and trade fair prices.

Fixed prices of the state refer to prices of commercial goods and standard charges for services established by various levels of people's government above the county (municipality) level and the price management departments and business management departments under their jurisdiction in accordance with their individual authority for price management.

Article 3. Pricing work is to be carried out through unified leadership and management by levels. Except for prices of commercial goods and standard charges for services under the unified management of the State Council and management departments under its jurisdiction, other prices of industrial and agricultural products, cost of communications and transportation, and standard charges for services are to be separately managed by provincial, municipal, and county (autonomous county) people's governments, regional administrative offices, and management departments under their jurisdiction.

The people's governments above the county level (including regional administrative offices; same below), various departments, and various enterprises and business units must establish or readjust prices of commercial goods and standard charges for services in strict accordance with the vested authority for price control. These authorities are not to be exceeded.

## ARTICLE 4. PRICE MANAGEMENT

Article 4. The responsibilities of price management departments above the county (municipality) are: establishing pricing principles and methods for products of various trades in accordance with the pricing principles, policies, and orders of the state and in conjunction with local conditions; managing and comparatively balancing the prices in their own regions; establishing and readjusting prices of commercial goods, various price differentials, and standard charges for services within their management authority and organizing prices between neighboring regions; supervising the investigation of the implementation of prices of commercial goods and standard charges for services by various departments, various units, and individual industries and businesses in their own regions and conducting the work of awards and penalties in pricing and cost; and arbitrating pricing disputes.

Article 5. The following prices are to be managed by the provincial price management departments jointly with related departments:

(1) the procurement (including above-quota procurement prices and price sub-quota), transfer, supply, wholesale, and retail prices of first and second class agricultural byproducts and third class principal agricultural byproducts and those managed by various departments of the State Council and as specified by the provincial people's government, and the scope of products for negotiated purchases and negotiated sales as well as their maximum prices and ranges of price control;

(2) plant, transfer, supply, wholesale, and retail prices of principal agricultural products outside the management of various departments under the State Council, as well as the scope of these products for floating pricing and the ranges of floating prices;

(3) standard service charges for major communications and transportation within the province, rural telephones, tuition, cultural and athletic events, and medical treatment;

(4) price differentials for principal products in terms of regional, procurement, sale, retail, specification, quality, and seasonal differences and the principle of pricing for transfer.

Article 6. The following prices are to be managed by municipalities under provincial jurisdiction, prefectures, and autonomous zhou jointly with related departments:

(1) procurement, transfer, supply, wholesale, and retail prices of principal agricultural products and prices of negotiated-purchase and negotiated-sale products, aside from those managed by various departments of the State Council under provincial management;

(2) plant, transfer, supply, wholesale, and retail prices of principal agricultural products aside from those managed by various departments of the State Council under provincial management, as well as the scope of these products for floating pricing and the ranges of floating prices;



(3) charges for communications and transportation aside from those under provincial management, loading and moving costs, and standard charges for important public utilities, repairs, and daily services within municipalities;

(4) Making concrete arrangements for prices of important commercial products based on various principles of price differentials and ratios, percentage differentials, and ranges of price control as specified by various departments of the State Council and by the province;

(5) other prices requiring unified management by prefecture (municipality) and autonomous zhou.

Article 7. The scope of price management by price management departments and business management departments of counties (municipalities and districts under municipal jurisdiction) are to be determined by the people's government of the same level.

Article 8. The price management responsibilities of business management departments above the county are: managing and establishing pricing principles and methods for products within their own systems and operating items in accordance with the pricing principles, policies, and orders of the state; establishing and readjusting prices of commercial goods and standard charges for services within their management authority; supervising the investigating implementation of prices for commercial goods and standard charges for services by units (including concurrent operating units) within their own systems.

Article 9. Prices of commercial goods and standard charges for services to be managed on a division of responsibility basis are to be established or revised on a level-by-level basis by the price management departments above the county (municipality) level jointly with related business management departments.

Article 10. Companies and main plants or industrial and commercial enterprises with approved self-determination authority may establish and readjust the following prices based on pricing principles and methods established by higher levels:

(1) establishing prices for products for which floating prices are permitted and based on the floating range;

(2) prices of agricultural byproducts for which negotiated prices of procurement and negotiated prices of sales are permitted;

(3) prices of third class industrial products aside from those with fixed prices;

(4) prices for disposal of damaged goods and seconds;

(5) prices of commercial goods for which the consumers have special requirements in specifications, quality, and packaging;

(6) prices of commercial goods of one-time production for which the state has fixed prices.

### CHAPTER III: MANAGEMENT OF PRICES OF COMMERCIAL GOODS AND CHARGES FOR SERVICES

Article 11. For agricultural byproducts within the state's procurement plan, the prices of procurement and sales established by the state must be strictly adhered to. The items for and ranges of above-quota procurement prices and price subsidies of first and second class agricultural byproducts must follow those specified by the State Council and the provincial people's government. They are not to be changed by the various regions and departments. Such methods as relaxing the grade standards and thus effectively raising prices to compete for procurement are not permitted.

The scope and price management of agricultural byproducts under negotiated prices of procurement and negotiated prices of sales are to be carried out according to regulations established by the State Council and provincial people's government. The various regions and departments are not permitted to expand the scope of these products or raise price limits themselves.

The prices of commercial goods at urban and rural market trade fairs are to be managed by industrial and commercial administrative management departments. The market management departments may specify the highest price limits for certain goods, which are to remain valid within specific time limits.

Article 12. Except for those who have approval from the provincial people's government to operate outside the plan and guarantee the return of cost, prices specified by the state for heavy industry products should be followed. Prices specified by the state are to be uniformly followed for first and second class daily-use industrial products and for third class industrial products with prices fixed by the state, regardless of whether output is within or exceeds planned production. The prices of other third class industrial products are to be established through discussion among industrial and commercial enterprises.

Article 13. The industrial enterprises are permitted to conduct their own sales of commercial goods with state fixed prices. When sales are made to operating units, the f.o.b. plant prices or wholesale prices are to be followed. When sales are made directly to consumers, the retail prices are to be followed.

Article 14. For new products approved by appraisal departments, the enterprises are to determine the trial sale prices and trial sale periods based on costs and with reference to prices of similar products, and report to higher level business management departments for approval. At the end of the trial sale period, official prices are to be established in accordance with appropriate management authorities.

Article 15. For industrial and agricultural products which operate under floating prices, the product varieties and floating range of prices are to be established by the price management department or the business management department in accordance with the vested authority of [price] control.

Article 16. The prices of all imported goods are to be fixed in accordance with the vested authority of [price] control. Price negotiations is not permitted.

Article 17. Prices established by the state should be used for export goods. If there are special requirements regarding specifications, quality, or packaging, prices may be fixed through negotiations between the producing unit and the procurement unit.

Article 18. The principle of pricing according to quality should be carried out for all goods. Production with shoddy work and inferior materials, replacement of quality products with seconds, and mixing in non-uniform or not genuine products are not permitted. Artificial upgrading to inflate prices or artificial downgrading to lower prices is not permitted. Changing price-tagged goods to negotiated sales is strictly forbidden. Article 19. Local communications and transportation costs and service charges should be separately established by various levels of price management departments or business management departments in accordance with the vested authority of [price] control. Other units and individuals may not establish items, set charging standards, or lower the quality of service.

#### Article IV. Arbitration of Price Disputes

Article 20. When a price dispute occurs, both sides should immediately try to resolve it through negotiation. If such negotiation fails to resolve the dispute, it is to be arbitrated by the price management department based on the vested authority of [price] control. If either side disagrees with the arbitration or the price dispute concerns an area between two regions, it shall be reported to the higher level price management department for arbitration and decision.

#### CHAPTER V: PRICE SUPERVISION

Article 21. All procurement departments, retail units, and individual traders should clearly mark the prices of goods they are trading. Goods for which prices are to be negotiated should be marked clearly with the words "negotiated price."

All units making charges for services and individuals charging a fee for what they are engaged in should clearly show what the standard charges are.

Article 22. The people's governments above the county (municipality) level may appoint price investigators to conduct price investigations in areas within their jurisdiction.

All individuals have the authority to expose and accuse units or individuals that violate pricing policies, orders, or discipline.

#### Article VI. Reward and Penalty

Article 23. Units of individuals (including price investigators) with any one of the following accomplishments will be given commendation or reward, based on the conditions, by appropriate levels of people's government and their management departments or by the units in which the individuals are located:

- (1) One who performs an outstanding achievement in strictly carrying out pricing policies and orders and obeying pricing discipline;
- (2) One who is able to take the initiative to cooperatively negotiate, mutually accommodate, reflect situations truly, and provide accurate data in pricing work;
- (3) One who actively engages in pricing work, who is honest in performing official duties, and who accomplish the tasks in an outstanding manner;
- (4) One who boldly maintains principles; actively informs and exposes; struggles against the violation of pricing policies, orders, and discipline; and who achieves outstanding results.

Article 24. Units or responsible persons guilty of the following behavior should be given economic punishment or even punished according to the law, based on the seriousness of the conditions:

- (1) Anyone who exceeds his authority in establishing or readjusting prices of commercial goods or standard charges for services;
- (2) Anyone who does not adhere to the prices of commercial goods and standard charges for services established by the state, raises the grade to increase the price without authorization, lowers the grade to depress the price, lowers the price to obtain the goods, or indiscriminately collect fees;
- (3) Anyone who exceeds the range of goods under the negotiated price category without authorization or sells on a negotiated price basis goods procured with marked prices;
- (4) Anyone who violates maximum or minimum price limits, raises the negotiated price without authorization, or exceeds floating price limits;
- (5) Anyone who increases without authorization the agricultural byproducts under the category of above-quota procurement prices or subsidies above regular prices, or changes the limits of added prices and subsidies;
- (6) Anyone who does not handle price adjustment notices in accordance with regulations or who discloses price secrets and creates economic losses to the state or increases the burden to consumers;
- (7) Anyone who mixes in non-uniform and not genuine products, replaces first quality goods with seconds, or uses measuring and weighing devices which are no longer accurate, thus short-changing the customers, and who shows no change in behavior despite education;
- (8) Anyone who practises fraud and gives false information on the cost to gain unlawful profit and causes losses to the state and to consumers;
- (9) Anyone who colludes to drive up prices, throw the market into confusion, and reap high profits;

(10) Anyone who impedes price investigators from carrying out their responsibilities, or refuses to allow price investigations;

(11) Anyone who conducts attack and practices revenge on people who inform and expose violations of price management;

(12) Anyone who shields and overlooks units or individuals that violate pricing policies, orders, and disciplines.

Article 25. Unlawful gains by units and responsible persons guilty of the violations under Item 24 shall be returned in full to consumers if possible. If this is not possible, the gains shall be totally confiscated. The violator shall be fined no more than 3,000 yuan based on the seriousness of the violation. Where the violation is especially serious and based on the recommendation of the price management department, the industrial and commercial administrative management department may order the violator to cease operations or cease production for reorganization, or may revoke the operator's license. For the person responsible for the unit or the concerned person with direct responsibility for a violation, his bonuses may be taken away for a specific period, or part of his wages may be docked, or he may be subjected to administrative disciplinary measure. Where criminal laws have been violated, the criminal responsibilities should be pursued in accordance with the law.

Article 26. The decision on the economic punishment to be given to those violating these provisional regulations shall be made by the price management departments, which shall also send the notification of disposition. The units and responsible persons being fined should voluntarily remit funds within 10 days of receipt of notice. If the fines are not remitted on time, the price management departments are authorized to notify the bank, credit cooperative, or unit where the person concerned is located to make involuntary transfer of funds and also to collect additional fines for the delayed payment. If the party being fined disagrees with the decision, the party may request a review within 10 days of receipt of notice. If the decision is not reversed after review, the party may appeal for arbitration and decision by the higher level price management department.

Article 27. In the return and collection of unlawful income, the sales income should be deducted. Fines should be paid out of the percentage profits retained by the enterprise or from the enterprise fund. They cannot be charged to cost or production and cannot be treated as expenditures of the enterprise. Just as an enterprise is fined, it cannot reduce the profits it should turn over to the tax; it should pay. Fines paid by a business unit cannot be counted as administrative management expenses. Fines against an individual are the responsibility of the individual.

Fines are to be paid to the finance department of the local people's government.

Article 28. Supplemental regulation

Article 29. These provisional regulations are effective from the date of publication.

Article 30. Regulations in the province are in conflict with these provisional regulations, the provincial regulations published here will take precedence.

Article 31. This regulation

## DOMESTIC TRADE

### PEU PRODUCES MORE NATIONALITY PRODUCTS

OW310843 Beijing XINHUA in English 0741 GMT 31 Aug 82

[Text] Hohhot, 31 August (XINHUA)--China now has 11 special bases of production for nationality products with more than 1,700 enterprises and 130,000 workers.

The announcement was made at the 10th conference on supplying and producing special products for national minorities which ended here early this week.

The production of more than 1,100 varieties of national products by these enterprises, which is more than triple that of 1973 in terms of output value and variety, meets the demands in most cases for nationality products.

According to statistics from 21 provinces, municipalities and autonomous regions, the total output value this year will reach more than 400 million yuan, an 11 percent over last year.

Since the third session of the 11th Central Committee of the Chinese Communist Party, the state has given priority to providing funds and raw materials for the development of nationality products.

In the Xinjiang Uygur autonomous region, the people bank provides low interest loans to enterprises that produce nationality products and taxes have been exempted for such enterprises for several years. Now the region has nearly 200 factories and cooperatives producing more than 300 types nationality products with a total output value of about 100 million yuan, according to the meeting.

The plan for producing 18 varieties of nationality products in Tibet in the first half of this year has been overfulfilled by 58.78 percent, an increase of 270 percent over the same 1981 period, the meeting reported.

The people's government of the inner Mongolian autonomous region has in the last 3 years set aside 7.29 million yuan and materials for making 3,000 Mongolian tents. In the Hainan Li autonomous prefecture, Guangdong Province, the government provided last year nearly 100 kilograms of silver for making waist belts, a traditional ornament to be worn by the Li and Miao peoples in marriage ceremonies.

CSO: 3420 166

## HEBEI HOLDS FINANCIAL, TRADE WORK MEETING

HEB71210 Swifiazhuang Hebei Provincial Service in Mandarin 0400 GMT 21 Aug 82

Summary: "The provincial government recently convened a Provincial Financial and Trade Work meeting. The meeting concentrately studied the problem of further implementing the State Council's decision on opening the commodity circulation channels between town and country and increasing the supply of industrial products to the countryside, and studied the problem of the reorganization of financial and trading enterprises."

"The meeting discussed and revised several draft stipulations formulated by the provincial government for implementing the State Council's decision on opening the commodity circulation channels between town and country and increasing the supply of industrial products to the countryside. Executive Vice Governor Li Feng and Vice Governors Guo Zhi and Hong Yi delivered speeches at the meeting."

The meeting affirmed that the governments and commercial departments at various levels in our province have recently achieved initial successes in implementing the State Council's decision. However, most parts of the province are now still carrying out the pilot projects; they have been slow in summarizing experiences obtained in experiments, and lag far behind the schedule laid down by the State Council, which required the province to achieve results by late September. Therefore, the meeting urged the governments at all levels and the various departments concerned to vigorously grasp the implementation of the decision and to resolutely take necessary measures so as to fulfill the task in due time.

Discussing the problem of reorganization of financial and trade enterprises, the meeting asked the organs concerned to concentrate their efforts on the reorganization of the first group of selected enterprises so as to gain rich experience. In the course of reorganization, stress must be placed on the improvement of economic returns, the reorganization of leading bodies and the clarification of the management responsibility system within enterprises. On the other hand, we must continue dealing blows at serious criminal activities in the economic field.

Moreover, the meeting also put forth the following tasks which are to be completed in the latter half of this year: 1) Make every effort to increase income and reduce expenses; 2) Bring about vigorous and brisk buying and selling of agricultural and sideline products; and 3) Extensively learn the experience of learning from Zhao Chune, special class national model commercial workers, and further popularize the experience of the Qinhua and Commercial Workers' Brigade.



## FOREIGN TRADE

### GUANGDONG: FOREIGN ECONOMIC COOPERATION ACHIEVEMENTS NOTED

HK 0100 Beijing ZHONGGUO XINWEN SHE in Chinese 1042 GMT 20 Aug 82

Report: "Guangdong Achieves Initial Results in Economic Cooperation With Foreign Firms"]

Text: Since the introduction of the policy of opening up to the outside world, Guangdong Province has achieved initial results in economic and technical cooperation with foreign countries. From the end of 1978 to June 1982, the province entered into more than 17,000 contracts for economic cooperation with foreign firms, with a total amount of foreign investment approaching \$3 billion. Of this, more than \$700 million has already been supplied for various projects. Guangdong has achieved the following economic results in making use of foreign funds and technology:

- Three special economic zones have been exploited. Shenzhen and Zhuhai, which were only small towns 3 years or so ago, have been gradually turning into newly developed modern towns where industry, commerce, agriculture, livestock breeding, housing and tourism are in full swing. The special economic zone of Shantou, which was opened up later, has also stepped onto a new path in construction.

- A certain amount of advanced industrial equipment has been introduced from abroad. In processing and assembling industries alone, more than 70,000 pieces of equipment have been imported. In addition, a number of production facilities have been installed for developing the electronics industry, cotton textile, silks, woolen fabric mills and container production. By importing technology and facilities, many factories and enterprises have improved their products in quality and variety, updated them and enlarged the scale of production as a result of carrying out management in a scientific way.

- The weak links such as energy, communications and transportation have been strengthened. For instance, the Shaoguan Power Plant has been expanded by installing a set of 200,000 kilowatts electricity generators and the relevant power transmission and transportation equipment. There has also been the construction of four ferry bridges on the Guangzhou-Zhuhai highway and the telecommunications project between Guangzhou and Hong Kong.

- Tourism has been developed. The newly built hotels can accommodate more than 6,000 visitors.

...the number of joint ventures have increased. In 1981, there were more than 100 joint ventures in large and medium-sized cities and more than 100 in rural areas.

The rural economy has been strengthened and employment has been stimulated. Most processing industries have been set up by rural companies and villages. The total number of workers in this field exceeds 200,000. The total income from processing work in Dongguan County alone in 1981 is 1.2 billion yuan, which is equivalent to the output value of rice cropped in the whole county.

Moreover, agriculture and livestock breeding have also been promoted by introducing good strains.

...which have been used in Guangdong for developing economic cooperation with foreign firms, such as processing, assembling, compensation trade, etc. These are joint ventures, sole proprietary business or obtaining loans, etc. They are relatively flexible. Of these, joint ventures are holding a safe road for investment, with a total sum of more than 52.5 billion yuan. Processing is the most popular form of cooperation, and has spread to two-thirds of the provincial counties and cities. It includes textiles, electronics, plastics, tanning, chemicals, foodstuffs, building materials, etc. Owing to such projects spreading in rural areas and medium-sized towns close to Hong Kong and Macao, transportation is convenient and labor force plentiful. Apart from this, foreign businessmen also appreciate the advantages of small investment, low costs, effectiveness and better management.

Chinese and businessmen in Hong Kong and Macao have participated in the development of economic cooperation in Guangdong with the investment of capital. They have made investment in quite a few projects. For example, the Garden Hotel, the China (Guangzhou) Hotel, the White Cloud Hotel, four bridges on the Guangzhou-Zhuhai Highway and the Shijiazhuang New Town in Futian, Shenzhen. Most of the investment in the past few years has been provided for processing and assembling projects, has been provided by businessmen in Hong Kong and Macao. Over the past 3 years, and so on, they have invested more than 300 million yuan in Guangdong. They have built factories, guest houses, schools, hospitals, bridges, etc. Their contributions to the local economy is contributions to their native land.

At present, there have been only a few big industrial projects. The local government is in a hurry to build them. The export of labor forces, which is a new thing, has just started. Some enterprises have been set up in the past few years. In the past few years, emphasis has been put on the development of the rural economy. After years as a united action to export cash grain, the local government has failed to coordinate well in this work. Some foreign traders have been disappointed in their policy of opening up to the outside world. The local government of Guangdong Province has recently stressed the need to actively implement the opened-up policy. It has decided to further improve the foreign trade system, to improve the foreign trade system, and improve efficiency in work. It has decided to improve the foreign trade system, to improve the foreign trade system, and improve efficiency in work. It has decided to improve the foreign trade system, to improve the foreign trade system, and improve efficiency in work.

## Foreign Trade

### BRIEFS

**TIANJI MEDICINE EXPORT**--Since the third plenum, Tianjin Municipality has shown a great increase in export volume of medicines and medical appliances, the annual export volume of which averaged a 60 percent increase in 1979-1982 over that of 1978. During the period from the third plenum to the end of June 1982, the output value of exported medicine and medical appliances was 236.2 million yuan, earning \$65.39 million. In the first half of 1982, Tianjin Municipality's No 2 (Zhongyuan) Pharmaceutical Plant earned 2.34 million yuan of profits from the export of royal jelly. [Tianjin City Service in Mandarin 1430 GMT 30 Aug 82 SK]

**HUNAN DEVELOPS FOREIGN TRADE**--Over the past 3 years, the quantity of products procured in Hunan Province for foreign trade and the quantity of the province's exported goods have increased by an average of 14.4 and 46.5 percent respectively each year. The quantity of products procured and the quantity of exported goods in the first half of this year were some 20 percent respectively more than in the first half of last year. The province exported approximately 2 million pair of rubber shoes in the first half of this year. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 13 Aug 82 HK]

**HENAN FOREIGN TRADE**--Since the 3d plenary session of 11th CPC Central Committee, Henan Province has achieved gratifying results in foreign trade. The amount of products procured in the province for exports has increased by an average of 24 percent per year and the amount of exported goods has increased by an average of 34 percent per year. The number of countries and regions to which the products of the province have been exported has increased from some 60 years ago, to some 90 now. The number of commodities exported has increased from some 120 kinds 3 years ago to some 310 kinds now. Over the past 3 years, the province has earned processing charges of \$10 million. [Henan Provincial Service in Mandarin 1100 GMT 24 Aug 82 HK]

EXPORTS--Shanxi has developed its provincial-managed exports to the world market. Previously, they only went to the Hong Kong and Macao market. According to statistics of early August, the total value of provincial-managed exports this year has already amounted to \$22.44 million, which is \$7.18 million more than in the entire 3 years before the 3d plenary session. The province now exports 166 of its commodities, compared with 13 in 1977. Its markets include West Germany, France, Britain and the United States. [HK300906] Shanxi Provincial Service in Mandarin 0500 GMT 27 Aug 82 HK

HUBEI FOREIGN TRADE WHARF--A ceremony marking the completion and operation of a new wharf in Wuhan, which is a special wharf for foreign trade, and the departure of the Hubei Qingchuan Shipping Company's freighters to Hong Kong was held today. This wharf is located in the eastern suburbs of Wuhan. The first phase of the project, initiated in March last year, was completed in June this year. The annual handling capacity of the first berth is 100,000 tons. The Hubei (Qingchuan) Shipping Company Ltd. has built up its fleet. Vice Governor Tian Ying spoke at the ceremony and Han Yizhen, second secretary of the Provincial Party Committee, cut the ribbon. Freighters loaded with cargo will sail to Hong Kong. [HK300659] Shanxi Provincial Service in Mandarin 1100 GMT 26 Aug 82 HK

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## LOGISTICS IMPROVED THROUGH SIMPLIFICATION

Source: Beijing CHINA DAILY in English 9 Sep 82 p 3

[Article by CHINA DAILY reporter: "Joint Transport Saves Efforts of Many"]

Modernization requires speed. Simplification can increase speed. A new type of simplification is the "package system" of joint transport now being used in China.

Under the package system, batches of freight are sent to their destination with no need to consider how many provinces they pass through or how many modes of transportation are used, the Institute of Comprehensive Transport Research told CHINA DAILY.

More than 4,000 railway stations, 98 major ports, plus other highway and airline facilities have been connected through the establishment of some 30 joint transport services around the country, the institute said.

With the development of joint transport, manufacturers feel as if railway tracks had been extended to their gates.

In addition, transport costs have been greatly reduced. One way is by opening up combined routes combining rail and sea transport. For instance, carrying Henan province's coal by rail from Yangquan to Qingdao and then by sea to Shanghai has saved one million yuan a year.

Another sea route from Datong in Shanxi to Qinhuangdao and on to Shanghai has increased the total tonnage passing through Qinhuangdao's port from 1979's 10 million tons to last year's more than 14 million tons--in addition to saving 10 million yuan of transport costs a year, the institute said.

It takes two to three years or large investments to increase a port's capacity to handle one million tons per year, but the opening of the Beijing-Henan-Wuhan-Shanghai coal route by simply signing the necessary agreements has increased the volume passing through the river port of Wuhan by 10 million tons a year.

Under the package system are commune-run or brigade-run enterprises, many of which are located far from transportation facilities and are short of capital. They can produce in large enough quantities to fill a 50-ton container. With at least 40,000 such enterprises throughout the country, joint transport can relieve a vast army from trudging.

... joint transport can ease the stack-up of freight at railway stations and of cargo ships at ports, the institute said.

... ..

... socialist economic organization offers the possibility of coordination and ... in the handling of freight, avoiding capitalist competition. ... "Serve the people" encompasses the spirit of joint transport--the ... a few people saves the efforts of many.

... institute under the State Economic Commission, which was rehabilitated after its disintegration during the "Cultural Revolution," will never ... successes of the early 1950s.

... .., some 10 million tons of southern foodgrains were transported to ... going by both railway and boat. Northern coal followed the same ... south.

... the institute's first national transportation rejuvenation meeting ... into being three coordinated transport corporations--in ... Beijing and Shandong. A follow-up meeting in July of this year ... other more than 100 delegates from 10 provinces and cities to work ... deriving from the practice of recent years.

... institute is the only national organization making investigations and ... proposals in coordination with the newly-established China Communication and Transportation Association.

... .. transportation has long been a weak link in China's national economy, it is ... to develop methods of uniting railways--both state-owned and ... .., airways, waterways and pipelines, so as to merge ... .. and transportation of goods, the institute believes.

... .. centralized system of service to customers, the institute ... ..

... .. other problems of prior importance are standardization of freight- ... .. times, the development of new transport installations, and the ... ..

TRANSPORTATION

#### EXPANDING 'THROUGH TRAFFIC' TRANSPORTATION

By 300000 Beijing XINHUA in English 0705 GMT 30 Aug 82

Beijing, 30 August (XINHUA)--China is developing "through traffic" by land, water and air to raise efficiency, according to the state economic commission.

More than 4,000 railway stations and 98 ports are now undertaking the effort and more than 30 through traffic service companies have been set up in Beijing, Shanghai, Nanjing, Chongqing, Hangzhou and other cities, forming a network of railway and waterway through transport lines, the commission said.

Qiu Hongtao, adviser to the state economic commission, said at a symposium on communications and transportation work that demand for communications and transportation is expected to grow in the wake of development of industry and agriculture, improvement of the peoples life and expansion of foreign trade and tourism.

In the first 7 months of this year, freight transported by trunk railways and waterways rose 7.7 percent over the same period last year and railway passengers totalled 491 million in the January-June period.

In 1981 freight shipped by through transport reached more than 90 million tons, saving 300 million yuan of transport cost, according to the state economic commission.

After the establishment of through traffic service, the cargo handling capacity of Tianjin Port in east China grew by 14.6 percent in the first half of this year compared with the corresponding period of the preceding year, time for loading and unloading a foreign ship has been cut from 6.5 days to 3.6 days.

The efficiency of highway transportation has also increased, the commission said. According to statistics from Shenyang, Changchun and Harbin cities, 131,000 liters of oil have been saved in the first 6 months of this year as transport turnover was reduced.

Container through transport has grown as well. In 1981, a total of 1.57 million containers were handled by through transport, 6.4 times the 1979 figure. At present, 7 percent of China's railway stations have opened through transport services. Through traffic has also added to the convenience of passengers in visiting cities in Heilongjiang, Shandong, Sichuan and Zhejiang Provinces.

300000 Beijing



## REPORT ON BEIJING'S INDUSTRIAL DEVELOPMENT

0261656 Beijing XINHUA in English 1500 GMT 28 Aug 82

Beijing, 28 August (XINHUA)--Beijing's industrial output value reached 11.5 billion yuan in the first half of this year, an increase of 8.1 percent over the same period of last year.

The figures were announced by Zhang Peng, vice mayor of the municipality, and were in a report to the standing committee of the city's people's congress, which closed yesterday.

According to a principle drafted 2 years ago, the capital is to be a political center with highly developed culture instead of an industrial base. However, with a huge population of 8 million, it is not feasible to have everything shipped into the capital, so it is necessary for the city to produce for its own consumption.

Following such a policy, Zhang Peng said, great efforts have been made since 1980 to shift heavy industry to textiles and light industry and public services. As a result, the proportion of light industry output value to the total industrial output value has risen from 39.1 percent in 1980 to present 46 percent.

The mayor said that the production of 10 different household electrical appliances, such as washing machines, TV sets, sewing machines, refrigerators, increased by 38.7 percent in the past year. Such items as woollen goods, fur and down garments, pianos, furniture and daily use chemicals have also been listed on the top of the production priority agenda as of March of this year.

To further improve production and efficiency, Zhang Peng said, the job responsibility system of incentives has been introduced in 457 state-run enterprises and 1,000 smaller ones. Workers' conferences have been established in 910 enterprises and 1,000 in 100 factories have elected their own directors.

In the Capital Steel and Iron Company, the largest of its kind in the city, 118 new innovation projects were started after discussions among workers and technical personnel this year. This resulted in 10.4 percent increase in total output value and 30.7 percent increase in profits in the first half of this year over the same period of last year.

... predicted that greater attention will be paid to enable 60,000 scientists and other technical personnel in some 200 universities, colleges and scientific research institutions, to make contributions to the city's industry.

Since the beginning of this year, more than 240 technical cooperation items have started by enterprises with some of the scientific units. [Sentence as received].

"New items are under consideration as well," Zhang Peng disclosed.

Citing one example in the field, Zhang Peng commended a mini-motor plant in Jiaoxian County to the east of the city. The factory, a former electroplating plant, was on the brink of collapse, now produces 24 types of advanced performance mini-motors, thanks to cooperation with Qinghua University and four other colleges and institutions.

Now residents now prefer to deposit their money for future selection, instead of rushing to purchase as they did in the past, Zhang Peng said, light industry is confronted with new problems and as a result some middle and high grade goods have fallen short of demand.

Zhang Peng said that total savings deposits increased by 31.8 percent in the city in the first 6 months of this year, compared with the same period of last year. This means an average increase of over one million yuan per day.

In the second half of this year, he said, great efforts are to be paid to direct surveys and technical development in order to improve the quality and increase designs and specifications of products.

At the end of July of this year, the vice mayor said nearly half of the 800 factories causing pollution in urban areas and nearby suburbs of the city have been closed, suspended, merged or shifted to no pollution production.

"The others are under treatment," the vice mayor added.

GENERAL

#### BAI DONGCAI ATTENDS JIANGXI FINANCE MEETING

OW300238 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 27 Aug 82

[Excerpts] A provincial meeting of finance and trade commissions and mayors was recently held to analyze the financial and trade situation and discuss future tasks. The meeting called on the localities to base themselves on actual local financial and trade conditions, enliven circulation, stabilize the market, vigorously support industrial and agricultural production, ensure that more grain is procured then distributed this year, conscientiously strengthen procurement of farm and sideline products, actively expand sales of manufactured goods, strive to increase economic returns of commerce, ensure a balance between revenue and expenditure and strive to fulfill or overfulfill all yearly financial and trade tasks.

Vice Governor Fang Qian presided over the meeting and made a speech. During the meeting, Comrade Bai Dongcai, first secretary of the Jiangxi Provincial CP Committee, listened to reports and gave important instructions.

The meeting analyzed this year's financial and trade situation and pointed out: At the beginning of this year, financial and trade departments at various levels in the province have proceeded from actual conditions, carried out numerous investigations and studies in many fields, adopted effective and practical measures in the light of the new situation and enhanced the development of the province's financial and trade work and economy as a whole.

The situation is very good. However, with the development of the situation, financial and trade work has failed to meet the requirements in some areas. Further efforts must be made to solve the problems.

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GENERAL

## COLLECTIVE ENTERPRISES FLOURISH IN SHANGHAI

090/1821 Beijing XINHUA in English 1251 GMT 7 Sep 82

[Text] Shanghai, 7 Sep (XINHUA)--Here in China's largest commercial center 2,400 collective shops, restaurants and repair centers had been set up by the end of July this year, according to local authorities.

These collective enterprises have provided jobs for 32,000 young people, most of whom are secondary school graduates. The biggest shops employ between one and two hundred people, while smaller ones only three to five.

Operating under the guidance of retired workers, these collective enterprises offer such services as retail sales, tourist and catering services, laundry, tailoring and watch and furniture repair.

The collective economy is the basic form of the socialist economic activities in China, the city authorities said. It is also an important source of jobs for secondary school graduates.

They said that the municipal government sets great store by encouraging the development of such cooperatives and enterprises. The local government has undertaken to provide interest-free, or low interest loans to get them started and grant tax exemptions in the first two years of operation. Employees are treated the same as those working in state-run shops.

Long Jianan, manager of a food shop next to the People's Square, said that his shop has more policy-making powers and, as wages depend on business and are judged by the quality of work in a monthly assessment, his employees get slightly more than their counterparts in state-owned shops.

Situated on a busy street where approximately 100,000 pedestrians pass each day, the shop has a business turnover similar to that of medium-sized state-owned shops.

The manager said that the shop employs 130 secondary school graduates chosen and trained from 200 applicants. It opens two hours earlier than most shops, serving fruits fresh from the suburbs, buns, fried cakes, tremelia soup and other hot snacks and general merchandise.

Some shops make regular tours of factories, schools, government offices and neighborhood community centers and deliver goods to their doorsteps.

A Western style restaurant run by 12 young people is a particular favorite of tourists and local people. Under the direction of eight retired workers, the restaurant offers authentic Western style food and a dozen Western style cakes. The menu also includes more than twenty kinds of food with Southeast Asian flavour.

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Sept. 27, 1982